

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

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

We have audited the accompanying consolidated balance sheet of Türk Ekonomi Bankası A.Ş. ("the Bank") and its consolidated subsidiaries at 31 December 2012 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the period then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Disclosure for the responsibility of the Bank's Board of Directors:

The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the consolidated financial statements; and for selecting and applying appropriate accounting policies in compliance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents published on the Official Gazette No. 26333 dated 1 November 2006, Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations, interpretations and circulars published or declared by the Banking Regulation and Supervision Agency ("the BRSA") on accounting and financial reporting principles.

Disclosure for the Responsibility of the Authorized Audit Firm:

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our independent audit has been implemented in accordance with "Regulation on Authorisation and Activities of Institutions to Conduct Independent Audit in Banks" published on the Official Gazette No.26333 dated 1 November 2006. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements; the selection of these audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting process into consideration and assessing the appropriateness of the applied accounting policies. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion stated below.

Independent Auditor's Opinion:

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türk Ekonomi Bankası A.Ş. and its consolidated subsidiaries at 31 December 2012 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 articles 37 and 38 of the Banking Act No. 5411 and other regulations, communiques, interpretations and circulars published by the BRSA on accounting and financial reporting principles.

Other Matter:

The consolidated financial statements of Türk Ekonomi Bankası A.Ş. and its consolidated subsidiaries as at and for the year ended 31 December 2011 were audited by another auditor whose report dated 15 February 2012 expressed an unqualified opinion.

Additional Paragraph for Convenience Translation:

As explained in detail in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with articles 37 and 38 of the Banking Act No. 5411, accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated 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, 14 February 2013

**THE CONSOLIDATED FINANCIAL REPORT OF TÜRK EKONOMİ BANKASI A.Ş.
FOR THE YEAR ENDED 31 DECEMBER 2012**

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

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP WHICH IS UNDER CONSOLIDATION
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITOR’S REPORT

The subsidiaries, associates and jointly controlled entities, financial statements of which are consolidated within the framework of the reporting package are as follows:

	Subsidiaries	Associates	Jointly Controlled Entities
1.	The Economy Bank N.V.	-	-
2.	Stichting Effecten Dienstverlening	-	-
3.	Kronenburg Vastgoed B.V.	-	-
4.	TEB Yatırım Menkul Değerler A.Ş.	-	-
5.	TEB Faktoring A.Ş.	-	-
6.	TEB Portföy Yönetimi A.Ş.	-	-

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

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

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

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

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

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM
1 JANUARY TO 31 DECEMBER 2012**

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

SECTION ONE

GENERAL INFORMATION

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

Türk Ekonomi Bankası Anonim Şirketi (“TEB” or “The Bank”), which had been a local bank incorporated in Kocaeli in 1927 under the name of Kocaeli Halk Bankası T.A.Ş., was acquired by the Çolakoğlu Group in 1982. Its title was changed as Türk Ekonomi Bankası A.Ş. and its headquarters moved to İstanbul. On 10 February 2005, BNP Paribas took over 50% of shares of TEB Holding A.Ş. Consequently, BNP Paribas became indirect shareholder of TEB with 42.125% ownership. In 2009 BNP Paribas Group successively acquired 75% of Fotis Bank Belgium and 66% of Fortis Bank Luxembourg and became the shareholder holding the majority of the shares of Fortis Bank Turkey. The indirect majority shareholders of TEB which are BNP Paribas and Çolakoğlu Group has agreed on the merge of TEB and Fortis Bank under the trademark of TEB and following the authorizations obtained from the regulatory authorities on 14 February 2011 the legal merge of two banks has been performed. The process regarding the procedure has been summarized below.

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

Following announcement of the Banking Regulation and Supervision Agency (the “BRSA”) approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, merger of two bank by means of transfer of all rights, receivables, liabilities and obligations to the Parent Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to İstanbul Trade Registry. Due to the merger, ceiling for the registered capital of the Parent Bank is increased from TL 1,400,000 to TL 2,204,390 and the issued capital of the Parent Bank is increased by TL 1,104,390 from TL 1,100,000 to TL 2,204,390.

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

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

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

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

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

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CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM
1 JANUARY TO 31 DECEMBER 2012**

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

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

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

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

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

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

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

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

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

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

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

As of 31 December 2012 and 31 December 2011 the shareholders’ structure and their respective ownerships are summarized as follows:

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

As of 31 December 2012, Parent Bank’s paid-in-capital consists of 2,204,390,000 shares of TL 1.00 (full TL) nominal each.

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CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM
1 JANUARY TO 31 DECEMBER 2012**

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

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

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

(*) Jean Yves Fillon has resigned from his job as member of Board of Directors as of 3 December 2012. Yvan L.A.M De Cock has been a Member of Director on the same day.

(**) Ümit Leblebici has been appointed to Vice Presedent as of 4 February 2013..

(***) Didier Albert Nicole Van Hecke is Head of Group Risk Management and is in Assistant General Manager status.

(****) Birol Deper is head of Compliance Group and Internal Control Group and is in Assistant General Manager status.

(*****) Hakan Tıraşın is Head of Audit Committee and is 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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**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM
1 JANUARY TO 31 DECEMBER 2012**

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

IV. Information About the Persons and Institutions That Have Qualified Shares in the Parent Bank

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

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

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

The Parent Bank’s operating areas include, corporate, retail and private banking as well as project finance, fund management and custody operations. Besides the ordinary banking operations, the Parent Bank is handling agency functions through its branches on behalf of TEB Yatırım Menkul Değerler A.Ş., TEB Portföy Yönetim A.Ş., Zurich Sigorta A.Ş., Cardif Hayat Sigorta A.Ş. As of 31 Decemeber 2012, the Parent Bank has 504 local branches and 5 foreign branches (31 December 2011: 503 local branches, 4 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

CONSOLIDATED FINANCIAL STATEMENTS

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

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**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2012**

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

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

	Section 5 Note Ref.	Audited Current Period 31.12.2012			Audited Prior Period 31.12.2011		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(I-1)	768,858	3,680,542	4,449,400	1,500,361	2,517,896	4,018,257
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(I-2)	544,118	94,887	639,005	860,882	415,909	1,276,791
2.1 Financial assets held for trading		544,118	94,887	639,005	860,882	415,909	1,276,791
2.1.1 Public sector debt securities		445,796	26,499	472,295	596,824	357,553	954,377
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		98,322	68,388	166,710	264,058	58,356	322,414
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)	444,461	563,855	1,008,316	152,232	453,606	605,838
IV. MONEY MARKET PLACEMENTS		1,700,525	-	1,700,525	523,574	-	523,574
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	12,599	-	12,599
4.3 Receivables from reverse repurchase agreements		1,700,525	-	1,700,525	510,975	-	510,975
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(I-4)	4,247,116	61,716	4,308,832	4,103,629	594,316	4,697,945
5.1 Share certificates		17,829	5,602	23,431	19,619	4,318	23,937
5.2 Public sector debt securities		4,228,115	56,114	4,284,229	4,082,934	582,630	4,665,564
5.3 Other marketable securities		1,172	-	1,172	1,076	7,368	8,444
VI. LOANS AND RECEIVABLES	(I-5)	24,505,325	6,490,263	30,995,588	20,511,045	6,452,442	26,963,487
6.1 Loans and receivables		24,247,866	6,480,325	30,728,191	20,302,264	6,446,621	26,748,885
6.1.1 Loans to Risk Group of the Bank		31,276	11,888	43,164	113,800	75,319	189,119
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		24,216,590	6,468,437	30,685,027	20,188,464	6,371,302	26,559,766
6.2 Non-performing loans		643,226	71,671	714,897	726,299	29,379	755,678
6.3 Specific provisions (-)		385,767	61,733	447,500	517,518	23,558	541,076
VII. FACTORING RECEIVABLES		521,099	233,668	754,767	516,926	302,085	819,011
VIII. HELD TO MATURITY INVESTMENTS (Net)	(I-6)	-	20,416	20,416	-	21,224	21,224
8.1 Public sector debt securities		-	20,416	20,416	-	21,224	21,224
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		-	-	-	-	-	-
9.2.2 Non-financial investments		-	-	-	-	-	-
X. INVESTMENTS IN SUBSIDIARIES (Net)	(I-8)	-	-	-	-	-	-
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
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)	16,726	157	16,883	22,787	13	22,800
13.1 Fair value hedge		4,907	157	5,064	9,524	13	9,537
13.2 Cash flow hedge		11,819	-	11,819	13,263	-	13,263
13.3 Hedge of net investment risks in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(I-12)	248,208	8,065	256,273	255,711	8,600	264,311
XV. INTANGIBLE ASSETS (Net)	(I-13)	445,328	808	446,136	440,358	899	441,257
15.1 Goodwill		421,124	-	421,124	421,124	-	421,124
15.2 Other		24,204	808	25,012	19,234	899	20,133
XVI. INVESTMENT PROPERTIES (Net)	(I-14)	-	-	-	-	-	-
XVII. TAX ASSET		131,297	6,985	138,282	71,555	2,581	74,136
17.1 Current tax asset		1,522	4,882	6,404	561	-	561
17.2 Deferred tax asset	(I-15)	129,775	2,103	131,878	70,994	2,581	73,575
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(I-16)	61,590	-	61,590	67,049	-	67,049
18.1 Held for sale		61,590	-	61,590	67,049	-	67,049
18.2 Discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(I-17)	862,516	203,566	1,066,082	559,786	98,976	658,762
TOTAL ASSETS		34,497,172	11,364,928	45,862,100	29,585,900	10,868,547	40,454,447

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

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

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2012**

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

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

	Section 5 Note Ref.	Audited Current Period 31.12.2012			Audited Prior Period 31.12.2011		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(II-1)	21,042,270	8,917,664	29,959,934	14,799,179	9,298,271	24,097,450
1.1 Deposits from Risk Group of the Bank		516,211	262,262	778,473	569,023	264,370	833,393
1.2 Other		20,526,059	8,655,402	29,181,461	14,230,156	9,033,901	23,264,057
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(II-2)	176,413	58,402	234,815	157,708	116,091	273,799
III. FUNDS BORROWED	(II-3)	702,410	5,307,605	6,010,015	2,853,408	4,596,346	7,449,754
IV. MONEY MARKET BALANCES		65,120	-	65,120	1,104,748	-	1,104,748
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		24,204	-	24,204	-	-	-
4.3 Funds provided under repurchase agreements		40,916	-	40,916	1,104,748	-	1,104,748
V. MARKETABLE SECURITIES ISSUED (Net)	(II-3)	494,237	-	494,237	249,107	-	249,107
5.1 Bills		333,689	-	333,689	249,107	-	249,107
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		160,548	-	160,548	-	-	-
VI. FUNDS		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. SUNDRY CREDITORS		858,955	29,384	888,339	774,717	66,939	841,656
VIII. OTHER LIABILITIES	(II-4)	1,154,042	2,286	1,156,328	622,004	2,884	624,888
IX. FACTORING PAYABLES		623	3,365	3,988	4,259	2,251	6,510
X. FINANCE LEASE PAYABLES	(II-5)	-	-	-	-	8	8
10.1 Finance lease payables		-	-	-	-	9	9
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-	-	1	1
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(II-6)	168,506	1	168,507	50,447	-	50,447
11.1 Fair value hedge		47,695	1	47,696	23,398	-	23,398
11.2 Cash flow hedge		120,811	-	120,811	27,049	-	27,049
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
XII. PROVISIONS	(II-7)	688,370	13,541	701,911	496,852	10,256	507,108
12.1 General loan loss provisions		407,150	12,286	419,436	266,177	7,232	273,409
12.2 Restructuring reserve		516	-	516	2,663	-	2,663
12.3 Reserve for employee benefits		187,133	736	187,869	125,025	2,278	127,303
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		93,571	519	94,090	102,987	746	103,733
XIII. TAX LIABILITY	(II-8)	141,205	457	141,662	104,811	1,037	105,848
13.1 Current tax liability		141,205	457	141,662	104,811	1,037	105,848
13.2 Deferred tax liability		-	-	-	-	-	-
XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(II-9)	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(II-10)	-	1,037,480	1,037,480	-	712,346	712,346
XVI. SHAREHOLDERS' EQUITY	(II-11)	4,823,154	176,610	4,999,764	4,314,992	115,786	4,430,778
16.1 Paid-in capital		2,204,390	-	2,204,390	2,204,390	-	2,204,390
16.2 Supplementary capital		775,766	4,959	780,725	684,228	(11,466)	672,762
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		50,780	4,959	55,739	(94,021)	(11,466)	(105,487)
16.2.4 Tangible assets revaluation differences		101,391	-	101,391	100,483	-	100,483
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Investment properties revaluation differences		-	-	-	-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		527	-	527	527	-	527
16.2.8 Hedging funds (Effective portion)		(49,666)	-	(49,666)	4,505	-	4,505
16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		670,169	-	670,169	670,169	-	670,169
16.3 Profit reserves		1,349,369	171,651	1,521,020	1,179,294	127,252	1,306,546
16.3.1 Legal reserves		143,555	-	143,555	130,033	-	130,033
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		1,111,376	171,651	1,283,027	945,641	127,252	1,072,893
16.3.4 Other profit reserves		94,438	-	94,438	103,620	-	103,620
16.4 Profit or loss		485,927	-	485,927	234,061	-	234,061
16.4.1 Prior years' income/ (loss)		9,497	-	9,497	9,497	-	9,497
16.4.2 Current year income/ (loss)		476,430	-	476,430	224,564	-	224,564
16.5 Minority shares	(II-12)	7,702	-	7,702	13,019	-	13,019
TOTAL LIABILITIES AND EQUITY		30,315,305	15,546,795	45,862,100	25,532,232	14,922,215	40,454,447

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

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

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED OFF-BALANCE SHEET COMMITMENT AT 30 SEPTEMBER 2012**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

	Section 5 Note Ref	Audited Current Period 31.12.2012			Audited Prior Period 31.12.2011		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I-II+III)		28,803,888	34,194,648	62,998,536	23,399,719	27,196,827	50,596,546
I. GUARANTEES	(III-1)	4,032,796	6,457,642	10,490,438	3,443,715	4,928,178	8,371,893
1.1 Letters of guarantee		3,410,978	3,319,084	6,730,062	2,994,478	2,615,011	5,609,489
1.1.1 Guarantees subject to State Tender Law		126,475	45,223	171,698	149,521	47,724	197,245
1.1.2 Guarantees given for foreign trade operations		297,750	128,726	426,476	231,520	98,260	329,780
1.1.3 Other letters of guarantee		2,986,753	3,145,135	6,131,888	2,613,437	2,469,027	5,082,464
1.2 Bank loans		-	903,219	903,219	-	342,297	342,297
1.2.1 Import letter of acceptance		-	901,081	901,081	-	148,980	148,980
1.2.2 Other bank acceptances		-	2,138	2,138	-	193,317	193,317
1.3 Letters of credit		4,666	1,527,651	1,532,317	-	1,578,340	1,578,340
1.3.1 Documentary letters of credit		4,666	856,453	861,119	-	1,077,679	1,077,679
1.3.2 Other letters of credit		-	671,198	671,198	-	500,661	500,661
1.4 Prefinancing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		615,588	416,601	1,032,189	447,251	309,354	756,605
1.9 Other collaterals		1,564	291,087	292,651	1,986	83,176	85,162
II. COMMITMENTS	(III-1)	8,180,716	1,734,157	9,914,873	6,645,551	1,563,069	8,208,620
2.1 Irrevocable commitments		8,180,716	1,734,157	9,914,873	6,645,551	1,563,069	8,208,620
2.1.1 Forward asset purchase commitments		223,497	1,085,809	1,309,306	157,738	1,461,274	1,619,012
2.1.2 Forward deposit purchase and sales commitments		-	614,094	614,094	-	-	-
2.1.3 Share capital commitment to associates and subsidiaries		-	-	-	4,000	-	4,000
2.1.4 Loan granting commitments		2,942,347	77	2,942,424	2,284,108	110	2,284,218
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Payment commitment for checks		1,879,298	-	1,879,298	1,455,318	-	1,455,318
2.1.8 Tax and fund liabilities from export commitments		11,709	-	11,709	10,380	-	10,380
2.1.9 Commitments for credit card expenditure limits		2,933,697	-	2,933,697	2,661,586	-	2,661,586
2.1.10 Commitments for promotions related with credit cards and banking activities		5,978	-	5,978	7,608	-	7,608
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		184,190	34,177	218,367	64,813	101,685	166,498
2.2 Revocable commitments		-	-	-	-	-	-
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(III-2)	16,590,376	26,002,849	42,593,225	13,310,453	20,705,580	34,016,033
3.1 Derivative financial instruments for hedging purposes		3,877,112	718,101	4,595,213	2,025,490	54,778	2,080,268
3.1.1 Fair value hedge		723,435	718,101	1,441,536	106,780	54,778	161,558
3.1.2 Cash flow hedge		3,153,677	-	3,153,677	1,918,710	-	1,918,710
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		12,713,264	25,284,748	37,998,012	11,284,963	20,650,802	31,935,765
3.2.1 Forward foreign currency buy/sell transactions		1,957,068	4,328,080	6,285,148	1,583,321	3,063,986	4,647,307
3.2.1.1 Forward foreign currency transactions-buy		889,152	2,249,254	3,138,406	480,076	1,836,452	2,316,528
3.2.1.2 Forward foreign currency transactions-sell		1,067,916	2,078,826	3,146,742	1,103,245	1,227,534	2,330,779
3.2.2 Swap transactions related to f.c. and interest rates		4,396,774	10,190,525	14,587,299	3,896,066	8,380,897	12,276,963
3.2.2.1 Foreign currency swap-buy		1,828,627	4,288,557	6,117,184	1,582,082	3,759,774	5,341,856
3.2.2.2 Foreign currency swap-sell		2,268,147	3,876,628	6,144,775	1,913,984	3,401,573	5,315,557
3.2.2.3 Interest rate swaps-buy		150,000	1,012,670	1,162,670	200,000	609,775	809,775
3.2.2.4 Interest rate swaps-sell		150,000	1,012,670	1,162,670	200,000	609,775	809,775
3.2.3 Foreign currency, interest rate and securities options		6,359,422	10,766,143	17,125,565	5,805,576	9,205,919	15,011,495
3.2.3.1 Foreign currency options-buy		2,484,511	5,889,778	8,374,289	2,227,449	5,121,384	7,348,833
3.2.3.2 Foreign currency options-sell		3,674,911	4,765,717	8,440,628	3,368,127	3,895,421	7,263,548
3.2.3.3 Interest rate options-buy		100,000	55,324	155,324	110,000	94,557	204,557
3.2.3.4 Interest rate options-sell		100,000	55,324	155,324	100,000	94,557	194,557
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		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		98,288,929	20,674,207	118,963,136	86,276,517	22,413,492	108,690,009
IV. ITEMS HELD IN CUSTODY		18,697,638	1,991,111	20,688,749	16,402,569	1,447,233	17,849,802
4.1 Assets under management		2,673,631	115	2,673,746	2,064,803	419	2,065,222
4.2 Investment securities held in custody		7,853,214	285,880	8,139,094	7,021,897	321,785	7,343,682
4.3 Checks received for collection		7,825,901	710,421	8,536,322	6,991,767	738,754	7,730,521
4.4 Commercial notes received for collection		343,722	79,899	423,621	323,682	132,614	456,296
4.5 Other assets received for collection		1,071	914,796	915,867	321	253,661	253,982
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		99	-	99	99	-	99
4.8 Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		79,456,986	18,648,921	98,105,907	69,742,283	20,935,121	90,677,404
5.1 Marketable securities		1,119,384	37,339	1,156,723	2,358,907	44,266	2,403,173
5.2 Guarantee notes		42,590,560	11,553,285	54,143,845	37,625,367	13,099,850	50,725,217
5.3 Commodity		26,992	350,093	377,085	11,732	342,758	354,490
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		30,867,446	5,629,882	36,497,328	25,335,727	6,590,324	31,926,051
5.6 Other pledged items		4,852,604	1,078,322	5,930,926	4,410,550	857,923	5,268,473
5.7 Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		134,305	34,175	168,480	131,665	31,138	162,803
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		127,092,817	54,868,855	181,961,672	109,676,236	49,610,319	159,286,555

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

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

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD
FROM 1 JANUARY TO 30 SEPTEMBER 2012**

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

III. CONSOLIDATED STATEMENT OF INCOME

	Section 5 Note Ref.	Audited Current Period 01.01-31.12.2012	Audited Prior Period 01.01-31.12.2011
I. INTEREST INCOME	(IV-1)	4,113,040	3,060,933
1.1 Interest on loans		3,550,107	2,520,299
1.2 Interest received from reserve deposits		-	-
1.3 Interest received from banks		10,976	13,421
1.4 Interest received from money market placements		49,504	1,811
1.5 Interest received from marketable securities portfolio		405,190	458,503
1.5.1 Held-for-trading financial assets		62,927	109,573
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		341,154	345,388
1.5.4 Investments held-to-maturity		1,109	3,542
1.6 Finance lease Income		-	-
1.7 Other interest income		97,263	66,899
II. INTEREST EXPENSE	(IV-2)	2,172,965	1,605,768
2.1 Interest on deposits		1,767,110	1,093,976
2.2 Interest on funds borrowed		310,489	363,048
2.3 Interest on money market borrowings		42,599	108,875
2.4 Interest on securities issued		37,311	10,089
2.5 Other interest expense		15,456	29,780
III. NET INTEREST INCOME/EXPENSE (I - II)		1,940,075	1,455,165
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		581,553	384,777
4.1 Fees and commissions received		915,733	620,065
4.1.1 Non-cash loans		95,456	68,348
4.1.2 Other	(IV-12)	820,277	551,717
4.2 Fees and commissions paid		334,180	235,288
4.2.1 Non-cash loans		1,317	1,133
4.2.2 Other	(IV-12)	332,863	234,155
V. DIVIDEND INCOME	(IV-3)	909	454
VI. NET TRADING GAIN/(LOSS)	(IV-4)	(82,789)	(24,524)
6.1 Securities trading gains/ (losses)		31,880	9,986
6.2 Gains/ (losses) from derivative financial instruments		(484,061)	24,285
6.3 Foreign exchange gains/ (losses)		369,392	(58,795)
VII. OTHER OPERATING INCOME	(IV-5)	90,550	82,879
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		2,530,298	1,898,751
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-6)	325,529	141,887
X. OTHER OPERATING EXPENSES (-)	(IV-7)	1,566,149	1,443,424
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		638,620	313,440
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. GAIN / (LOSS) ON EQUITY METHOD		-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(IV-8)	638,620	313,440
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (-)	(IV-9)	160,648	87,420
16.1 Current income tax (charge)/benefit		245,857	41,478
16.2 Deferred tax (charge)/benefit		(85,209)	45,942
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(IV-10)	477,972	226,020
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	-
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		-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-
19.3 Loss from other discontinued operations		-	-
XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)	(IV-8)	-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(IV-9)	-	-
21.1 Current income tax (charge)/benefit		-	-
21.2 Deferred tax (charge)/benefit		-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	(IV-10)	-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(IV-11)	477,972	226,020
23.1 Group's profit/loss		476,430	224,564
23.2 Minority shares		1,542	1,456
Earnings per share		0.2161	0.1086

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED
FOR UNDER EQUITY FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2012**

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

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

	Audited Current Period 01.01-31.12.2012	Audited Prior Period 01.01-31.12.2011
I.		
Additions to marketable securities revaluation differences for available for sale financial assets	205,132	(169,355)
II.		
Tangible assets revaluation differences	-	-
III.		
Intangible assets revaluation differences	-	-
IV.		
Foreign exchange differences for foreign currency transactions	(9,182)	36,835
V.		
Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences)	(67,713)	5,631
VI.		
Profit/Loss from derivative financial instruments for hedge of net investment in foreign operations (Effective portion of fair value differences)	-	-
VII.		
The effect of corrections of errors and changes in accounting policies	-	-
VIII.		
Other profit loss items accounted for under equity due to TAS	-	-
IX.		
Deferred tax of valuation differences	(26,799)	45,271
X.		
Total Net Profit/Loss accounted under equity (I+II+...+IX)	101,438	(81,618)
XI.		
Profit/Loss	(3,565)	(64,246)
11.1		
Change in fair value of marketable securities (Transfer to Profit/Loss)	(3,565)	(64,246)
11.2		
Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income Statement	-	-
11.3		
Transfer of hedge of net investments in foreign operations to Income Statement	-	-
11.4		
Other	-	-
XII.		
Total Profit/Loss accounted for the period (X±XI)	97,873	(145,864)

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD
FROM 1 JANUARY TO 30 SEPTEMBER 2012**

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

	Note Ref	Audited Current Period 01.01-31.12.2012	Audited Prior Period 01.01-31.12.2011
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		1,400,341	250,322
1.1.1 Interest received		4,139,183	3,050,250
1.1.2 Interest paid		(2,107,531)	(1,543,193)
1.1.3 Dividend received		909	454
1.1.4 Fees and commissions received		1,071,150	627,397
1.1.5 Other income		596,867	91,365
1.1.6 Collections from previously written off loans		333,650	68,503
1.1.7 Payments to personnel and service suppliers		(674,717)	(617,972)
1.1.8 Taxes paid		(204,697)	(95,619)
1.1.9 Others	(VI-1)	(1,754,473)	(1,330,863)
1.2 Changes in operating assets and liabilities		(1,978,004)	(690,071)
1.2.1 Net (increase) decrease in financial assets held for trading		485,521	(315,258)
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		(169,950)	56,665
1.2.4 Net (increase) decrease in loans		(3,926,071)	(6,027,214)
1.2.5 Net (increase) decrease in other assets	(VI-1)	(1,996,572)	(295,334)
1.2.6 Net increase (decrease) in bank deposits		(1,238,764)	(216,831)
1.2.7 Net increase (decrease) in other deposits		6,045,141	5,790,667
1.2.8 Net increase (decrease) in funds borrowed		(1,386,635)	216,242
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(VI-1)	209,326	100,992
I. Net cash provided from / (used in) banking operations		(577,663)	(439,749)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from / (used in) investing activities		435,054	(311,869)
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries		-	-
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries		-	-
2.3 Fixed assets purchases		(74,618)	(69,232)
2.4 Fixed assets sales		28,289	6,064
2.5 Cash paid for purchase of financial assets available for sale		(1,871,048)	(3,889,046)
2.6 Cash obtained from sale of financial assets available for sale		2,370,097	3,545,824
2.7 Cash paid for purchase of investment securities		-	(1,243)
2.8 Cash obtained from sale of investment securities		-	106,227
2.9 Others	(VI-1)	(17,666)	(10,463)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from / (used in) financing activities		236,634	484,677
3.1 Cash obtained from funds borrowed and securities issued		485,756	719,999
3.2 Cash used for repayment of funds borrowed and securities issued		(249,107)	(235,287)
3.3 Capital increase		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		(15)	(35)
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		(24,885)	199,750
V. Net increase / (decrease) in cash and cash equivalents	(VI-1)	69,140	(67,191)
VI. Cash and cash equivalents at beginning of the period	(VI-2)	3,512,634	3,579,825
VII. Cash and cash equivalents at end of the period	(VI-2)	3,581,774	3,512,634

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

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD
FROM 1 JANUARY TO 30 SEPTEMBER 2012**

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

VII. PROFIT DISTRIBUTION TABLE

	(*)Current Audited Period 31.12.2012	Prior Audited Period 31.12.2011
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	-	-
1.2 TAXES AND DUTIES PAYABLE (-)	-	-
1.2.1 Corporate tax (Income tax)	-	-
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties (**)	-	-
A. NET INCOME FOR THE YEAR (1.1-1.2)	-	-
1.3 PRIOR YEARS' LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]	-	-
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (preemptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (preemptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	-
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. YEDEKLERDEN DAĞITIM		
2.1 DISTRIBUTED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (preemptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF ORDINARY SHARES	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3 TO OWNERS OF PREFERRED SHARES	-	-
3.4 TO OWNERS OF PREFERRED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PREFERRED SHARES	-	-
4.4 TO OWNERS OF PREFERRED SHARES (%)	-	-

(*) Consiladated firms can not distribute profit due to related regulation

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM
1 JANUARY TO 31 DECEMBER 2012**

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

SECTION THREE

ACCOUNTING PRINCIPLES

I. Basis of Presentation

The Parent Bank prepares its financial statements and notes according to Communiqué on Banks’ Accounting Practice and Maintaining Documents, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS), other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by Banking Regulation and Supervision Agency (BRSA), Turkish Commercial Code and Tax Legislation.

The prior period financial statements are prepared in line with the principles of TAS No:1 “Fundamentals of Preparing and Presenting Financial Statements” published in the Official Gazette on 16 January 2005 with No: 25702, and in accordance with Turkish Accounting Standards and Turkish Financial Reporting Standards; and other principles, methods and explanations about accounting and financial reporting issued by the BRSA. Certain reclassifications have been made to the prior year financial statements in order to comply with the current year presentation whenever required.

Transfer of all rights, receivables, liabilities and obligations to the Parent Bank by dissolution of Fortis Bank A.Ş. has been effectuated as of 14 February 2011. The related transaction has been accounted for in accordance with the requirements of TFRS 3 “Business Combination”, and prior period balances presented in the financial statements and notes to the financial statements do not include any balances or figures related to Fortis Bank A.Ş.

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions

The Group aims to develop and promote products for the financial needs of each customer such as SMEs, multinational companies and even small individual investors in line with banking legislation. The primary objective of the Parent Bank is to increase profitability with optimum liquidity and minimum risk while fulfilling customer needs.

The Group aims at creating an optimum maturity risk and working with a positive margin between cost of resource and product yield in the process of asset and liability management.

As a component of risk management strategy of the Group, risk bearing short term positions of currency, interest or price movements is performed only by the Treasury Asset-Liability Management using the limits defined by the Board of Directors. The Asset-Liability Committee of the Parent Bank manages the maturity mismatches while deciding the short, medium and long term strategies as well as adopting the principle of positive balance sheet margin as a pricing policy.

The Board of Directors of the Parent Bank allows a purchase risk in treasury operations and individual limits are defined by the Board of Directors for each product.

The Parent Bank’s hedging activities for the currency risk due to foreign currency available-for-sale equity instruments are described under the Currency Risk section; and the Parent Bank’s hedging activities from interest rate risk arising from fixed interest rate deposits and floating interest rate borrowings are described in detail under Interest Rate Risk section.

The Parent Bank’s Asset-Liability Committee approves the trading of various derivative instruments such as currency swaps, forwards and similar derivatives to hedge interest and currency exchange risks in line with the Parent Bank’s balance sheet structure.

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**TÜRK EKONOMİ BANKASI A.Ş.
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1 JANUARY TO 31 DECEMBER 2012**

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

ACCOUNTING PRINCIPLES (Continued)

III. Information about the Parent Bank and its Consolidated Subsidiaries

The Bank, with no difference between TAS and IFRS, uses line-by-line consolidation method. Türk Ekonomi Bankası Anonim Şirketi and its financial institutions, The Economy Bank N.V. (Economy Bank), Stichting Effecten Dienstverlening (Stichting), Kronenburg Vastgoed B.V. (Kronenburg), TEB Finansal Kiralama A.Ş. (TEB Leasing), TEB Faktoring A.Ş. (TEB Faktoring), TEB Yatırım Menkul Değerler A.Ş. (TEB Yatırım) and TEB Portföy Yönetimi A.Ş. (TEB Portföy) are included in the accompanying consolidated financial statements by line-by-line consolidation method. The sale of TEB Finansal Kiralama A.Ş. has been finalized as of 30 September 2010.

As explained in the Material Event Disclosure on 24 March 2011, the followings are concluded in regards to the transfer of Fortis Yatırım Menkul Değerler A.Ş. ("Fortis Yatırım") in which TEB has 99.998% participation, with all of its assets and liabilities without any dissolution to TEB Yatırım Menkul Değerler A.Ş. ("TEB Yatırım") in which TEB has a direct share of 92.481%.

The transfer of Fortis Yatırım to TEB Yatırım and the related transfer agreement are approved in the Extraordinary General Meeting of TEB Yatırım and Fortis Yatırım held on 21 June 2011.

In relation to the transfer, Article 6 "Capital and Share Types" set out in the articles of association of TEB Yatırım is decided to be amended upon the approval of the CMB no: B.02.1.SPK.0.16-205.01.02/714-6076 issued on 14 June 2011 and the permit no: B.14.0.İTG.0.10.00.01/351-02-56082-72593-3267 given by the Domestic Trade Administration of the Ministry of Trade and Industry of Turkish Republic on 14 June 2011, and the capital of TEB Yatırım is decided to be increased from TL 12,950 to TL 28,794 in relation to the transfer transaction accordingly to the extent that shareholders of Fortis Yatırım are granted with shares that represent the increased capital.

The transfer was finalized on 24 June 2011 upon the registry of the resolutions issued in the TEB Yatırım and Fortis Yatırım's Extraordinary General Meeting held on 21 June 2011 to the İstanbul Trade Registry.

Following the transfer, TEB's direct participation in TEB Yatırım has increased to 96.617%.

As explained in the Material Event Disclosure dated 13 September 2011, the followings are concluded in regards to the transfer of Fortis Portföy Yönetimi A.Ş. ("Fortis Portföy") with all of its assets and liabilities without any dissolution to TEB Portföy Yönetimi A.Ş. ("TEB Portföy") in which the Bank has a direct and indirect share of 100%.

The transfer of Fortis Portföy to TEB Portföy and the related transfer agreement approved by the Capital Markets Board are approved in the Extraordinary General Meeting of TEB Portföy and Fortis Portföy held on 16 December 2011.

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**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM
1 JANUARY TO 31 DECEMBER 2012**

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

ACCOUNTING PRINCIPLES (Continued)

III. Information about the Parent Bank and its Consolidated Subsidiaries (Continued)

In relation to the transfer, Article 9 “Share Capital” and Article 14 “Board of Directors” set out in the articles of association of TEB Portföy are decided to be amended upon the unqualified opinion of the CMB no: B.02.1.SPK.0.15.335.06-1088-11331 issued on 12 December 2011 and the permit no: B.21.O.İT.G.0.03.01.00/351.02-57834-264712-2918/2466 given by the Domestic Trade Administration of the Ministry of Trade and Industry of Turkish Republic on 13 December 2011, and the capital of TEB Portföy is decided to be increased from TL 2,410 to TL 4,402 in relation to the transfer transaction accordingly to the extent that shareholders of Fortis Portföy are granted with shares that represent the increased capital at the Extraordinary General Assembly Meeting of TEB Portföy.

The transfer was finalized on 22 December 2011 upon the registry of the resolutions issued in the TEB Portföy and Fortis Portföy’s Extraordinary General Meetings held on 16 December 2011 to the İstanbul Trade Registry.

Following the transfer, TEB’s direct participation in TEB Portföy has decreased to 25.604%.

The changes in shareholder’s equity related with TEB Portföy regarding the merger is shown in XVI. “Other” line in the consolidated statement of changes in shareholders’ equity.

The accompanying consolidated financial statements are prepared in accordance with “Communiqué on Preparation of Consolidated Financial Statements of Banks” published in the Official Gazette dated November 8, 2006 numbered 26340. The Parent Bank and the entities included in the consolidation are referred to as “the Group” in this report.

The financial statements of the subsidiaries, which were prepared in accordance with the prevailing principles and rules regarding financial accounting and reporting standards in their respective country of incorporation and the Turkish Commercial Code and/or Financial Leasing Law and/or communiqués of the Capital Market Board, are duly adjusted in order to present their financial statements in accordance with TAS and TFRS.

Explanations on Consolidation Method and Scope

The commercial names of the entities included in consolidation and the locations of the head offices of these institutions:

<u>Commercial Name</u>	<u>Head Office</u>
Economy Bank	Netherlands
Stichting	Netherlands
Kronenburg	Netherlands
TEB Faktoring	Turkey
TEB Yatırım	Turkey
TEB Portföy	Turkey

Line-by-line consolidation method is used for all the financial institutions included in the consolidation.

When there are differences between the accounting policies of the subsidiaries and the Parent Bank, the financial statements are adjusted in accordance with the principle of materiality. The financial statements of the subsidiaries are prepared as 31 December 2012 and 31 December 2011.

The transactions and balances between the consolidated entities and the Parent Bank are eliminated.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

ACCOUNTING PRINCIPLES (Continued)

III. Information about the Parent Bank and its Consolidated Subsidiaries (Continued)

Explanations on Foreign Currency Transactions

Gains or losses arising from foreign currency transactions realized during the year are reflected to the income statement. Foreign currency assets and liabilities at each period-end are translated into Turkish lira at the period-end foreign exchange buying rates and the resulting foreign exchange gains or losses are recorded in the income statement as foreign exchange gain or loss. The EUR and USD exchange rates used for translating foreign currency transactions into Turkish Lira and reflecting these to consolidated financial statements as of 31 December 2012 are 2.3548 full TL per EUR and 1.7823 full TL per USD, respectively (31 December 2011: TL 2.4438 ,in full TL, while the USD exchange rate is TL 1.8889, in full TL).

There are no capitalized foreign exchange differences.

The information regarding the principles of foreign currency risk management are stated in Section Four, Note V.

There are no debt securities issued. Foreign exchange gains and losses arising from translating monetary financial assets are reflected to “Foreign Exchange Gains / (Losses) in the income statement.

The foreign currency net investment in consolidated foreign subsidiaries are translated into Turkish Lira using the exchange rate prevailing at the balance sheet date for their assets and liabilities and the year end average exchange rate for their income statement items. The currency translation gain arising from the consolidated subsidiaries’ inflation and devaluation differences amounting to TL 8,767 (31 December 2011: TL 38,811) currency translation gain has been recorded in “Other Profit Reserves” under shareholders’ equity.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

ACCOUNTING PRINCIPLES (Continued)

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 valuation of CDS transactions are based on the differences between the existing and recalculated payment plans discounted to the valuation date with current CDS interest rates.

As of 1 July 2008, the Parent Bank has adopted fair value hedge accounting in order to avoid the effects of interest rate changes in the market by matching a portion of its swap portfolio with its loan portfolio. As of August 2011, the Bank has also adopted cash flow hedge accounting by matching a portion of its swap portfolio with its deposit basis. The 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, hedging transactions do not to meet the hedging accounting conditions, adjustments to fair value of hedged item, which are rediscounted within days to maturity, are reflected in Income Statement.

Bank has started a fair value hedge for the value of its fixed coupon government bonds in September 2012 by using swaps as hedging instruments

While the Parent Bank recognizes the fair value changes of the hedged items in the “other interest income” and “other interest expense” accounts, it recognizes the fair value changes of the hedging instruments related to the same period in the “gains/(losses) from derivative financial instruments” account.

Additionally, the difference between the fair value and carrying value of the hedged items as of the application date of hedge accounting is amortized based on their maturities and recognized in “other interest income” and “other interest expense” accounts.

V. Explanations on Interest Income and Expenses

Interest income and expense are recognized in the income statement for all interest bearing instruments whose cash inflows and outflows are known on an accrual basis using the effective interest method. In accordance with the related regulation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as interest income only when collected.

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ACCOUNTING PRINCIPLES (Continued)

VI. Explanations on Fees and Commission Income and Expenses

Fees for various banking services are recorded as income when collected and prepaid commission income on cash and non-cash loans is recorded as income by using effective interest rate in the related period.

Fees and commissions for funds borrowed paid to other financial institutions, as part of the transaction costs, are recorded as prepaid expenses using the effective interest rate and are expensed on the related periods.

The dividend income is reflected to the financial statements on a cash basis when the profit distribution is realized by the associates and subsidiaries.

VII. Explanations on Financial Assets

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Risks related to these activities form a significant part among total risks the Parent Bank undertakes. Financial instruments affect liquidity, market, and credit risks on the Parent Bank’s balance sheet in all respects. The Parent Bank trades these instruments on behalf of its customers and on its own behalf.

Basically, financial assets create the majority of the commercial activities of the Group. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Group. Settlement date accounting requires (a) accounting of the asset when acquired by the institution and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal. In case of application of settlement date accounting, the institution accounts for the changes that occur in the fair value of the asset in the period between commercial transaction date and settlement date as in the assets that the institution settles.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

The methods and assumptions used in determining the reasonable estimated values of all of the financial instruments are described below.

Cash, Banks, and Other Financial Institutions

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturity of 3 months or less following the purchase date, not bearing risk of significant value change, and that are readily convertible to a known amount of cash. The book value of these assets approximates their fair values.

Financial Assets at Fair Value Through Profit and Loss

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer’s margin, or are securities included in a portfolio with a pattern of short-term profit taking.

Trading securities are initially recognized at cost. Transaction costs of the related securities are included in the initial cost. The positive difference between the cost and fair value of such securities is accounted for as interest and income accrual, and the negative difference is accounted for as “Impairment Provision on Marketable Securities”.

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ACCOUNTING PRINCIPLES (Continued)

VII. Explanations on Financial Assets (Continued)

Held to Maturity Investments and Financial Assets Available for Sale

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability other than loans and receivables.

Available for sale financial assets include all securities other than loans and receivables, securities held to maturity and securities held for trading.

Marketable securities are initially recognized at cost including the transaction costs.

After the initial recognition, available for sale securities are measured at fair value and the unrealized gain/loss originating from the difference between the amortized cost and the fair value is recorded in “Marketable Securities Valuation Differences” under the equity. Fair values of debt securities that are traded in an active market are determined based on quoted prices or current market prices. In the absence of prices formed in an active market, fair value of these securities is determined using the prices declared in the Official Gazette or other valuation methods stated in TAS.

After initial recognition, held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

The interests received from held to maturity investments are recorded as interest income.

Following the merger with Fortis Bank A.Ş. on 14 February 2011, the Parent Bank revised its risk management policies. As a result, held to maturity investments amounting to TL 261,199 are classified as financial assets available for sale in accordance with TAS 39.

There are no financial assets that have been previously classified as held to maturity investments but cannot be currently classified as held to maturity for two years due to “tainting” rule.

The Group classifies its securities as referred to above at the acquisition date of related assets.

The sale and purchase transactions of the held to maturity investments are recorded on a settlement date basis.

Loans and Provisions for Impairment

Loans are financial assets those generated by lending money and exclude those that are held with the intention of trading or selling in the near future.

The Group initially records loans and receivables at cost. In subsequent periods, in accordance with TAS, loans are measured at amortized cost using effective interest rate method.

Provision is set for the loans that may be doubtful and the amount is charged in the current period income statement. The provisioning criteria for non-performing loans are determined by the Group’s management for compensating the probable losses of the current loan portfolio, by evaluating the quality of loan portfolio, risk factors and considering the economic conditions, other facts and related regulations.

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ACCOUNTING PRINCIPLES (Continued)

VII. Explanations on Financial Assets (Continued)

Loans and Provisions for Impairment (Continued)

Specific reserves are provided for Group III, IV and V loans in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No. 26333 dated 1 November 2006 which was amended with the communiqué published in the Official Gazette No. 27119 dated 23 January 2009. These provisions are reflected in the income statement under “Provision and Impairment Expenses - Special Provision Expense”. The collections made regarding these loans are first deducted from the principal amount of the loan and the remaining collections are deducted from interest receivables.

The collections made related to loans for which provision is made in the current period are reversed from the “Provision for Loan Losses and Other Receivables” account in the income statement, and related interest income is credited to the “Interest Received from Non-performing Loans” account.

Releases of loan loss provisions are booked in “Other Operating Income” account and reversed from the “Provision and Impairment Expenses - Specific Provision Expense” account in the income statement.

In addition to specific loan loss provisions, within the framework of the regulation and principles referred to above; the Parent Bank records general loan loss provisions for loans and other receivables.

The Parent Bank 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.

Specific reserves are also provided by TEB Faktoring based on the Communiqué on “Methods and Principles for the Determination of Receivables to be Reserved for and Allocation of Reserves of Financial Institutions, Leasing, and Factoring Firms” published in the Official Gazette No: 26588 on 20 July 2007 which was amended with the communiqué published in the Official Gazette No. 27270 dated 26 June 2009 and based on the Communiqué about “The Amendment in the Communiqué on Methods and Principles for the Determination of Receivables to be Reserved for and Allocation of Reserves of Finance Companies, Leasing, and Factoring Firms” published in the Official Gazette No: 26808 on 6 March 2008.

VIII. Explanations on Impairment of Financial Assets

At each balance sheet date, the Group evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss or not. If any such indication exists, the Group determines the related impairment.

A financial asset or a financial asset group incurs impairment loss only if there is an objective indicator related to the occurrence (or nonoccurrence) of one or more than one event (“loss event”) after the first journalization of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses caused by the future events are not journalized.

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ACCOUNTING PRINCIPLES (Continued)

IX. Explanations on Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset when a party has a legally enforceable right to set off, the intention of collecting or paying the net amount of related assets and liabilities or the right to offset the assets and liabilities simultaneously.

X. Explanations on Sales and Repurchase Agreements and Lending of Securities

The sales and purchase of government securities under repurchase agreements made with the customers are recorded in balance sheet accounts in accordance with the Uniform Chart of Accounts by the Group. Accordingly in the financial statements, the government bonds and treasury bills sold to customers under repurchase agreements are classified under securities held for trading, available for sale and held to maturity depending on the portfolio they are originally included in and are valued according to the valuation principles of the related portfolios. Funds obtained from repurchase agreements are classified as a separate sub-account under money markets borrowings account in the liabilities.

These transactions are short-term and consist of domestic public sector debt securities.

The income and expenses from these transactions are reflected to the “Interest Income on Marketable Securities” and “Interest Expense on Money Market Borrowings” accounts in the income statement.

As of 31 December 2012, the Group has reverse repo amounting to TL 1,700,525 (31 December 2011: TL 510,975).

As of 31 December 2012, the Group does not have any marketable securities lending transaction (31 December 2011: None).

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ACCOUNTING PRINCIPLES (Continued)

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 31 December 2012, assets held for sale of the Group are TL 61,590 (31 December 2011: TL 67,049). As per the appraisals performed for the real estates held for sale included “Assets Held for Sale” in the financial statements, TL 1,291 (31 December 2011: TL 3,261) 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.

Following announcement of the Banking Regulation and Supervision Agency approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, merger of two bank by means of transfer of all rights, receivables, liabilities and obligations to the Parent Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to İstanbul Trade Registry.

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 TL 48,783 is shown in related assets and liability section, the equity impact is shown under other shareholder's equity section. The amount of TL 421,124, which is the difference between the fair value of identifiable net asset value of TL2,385,482 and the liability of TL1,964,358 is accounted as goodwill in the financial statements of the Bank.

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ACCOUNTING PRINCIPLES (Continued)

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

Intangible assets are accounted for at restated cost until 31 December 2004 in accordance with inflation accounting and are amortized with straight-line method, after 31 December 2004 the acquisition cost and any other cost incurred so as to prepare the intangible asset ready for use less reserve for impairment, if any, and are amortized on a straight-line method. The cost of assets subject to amortization is restated after deducting the exchange differences, capitalized financial expenses and revaluation increases, if any, from the cost of the assets.

The other intangible assets of the Group comprise mainly softwares. The useful lives of such assets acquired are determined as 3-5 years by taking into consideration the expected utilization period, technical, technological or any other impairment and maintenance expenses necessary for the economic use of such assets. Softwares used are mainly developed within the Parent Bank by the Bank’s personnel and the related expenses are not capitalized.

There are no anticipated changes in the accounting estimates about the amortization rate and amortization method and residual values that would have a significant impact in the current and future periods.

XIII. Explanations on Tangible Fixed Assets

Properties are accounted for at their restated costs until 31 December 2004; afterwards the acquisition cost and any other cost incurred so as to prepare the fixed asset ready for use are reflected, less reserve for impairment, if any. The straight-line method of depreciation is used for buildings and useful life is considered as 50 years.

Other tangible fixed assets are accounted for at their restated costs until 31 December 2004; afterwards the acquisition cost and any other cost incurred so as to prepare the fixed asset ready for use are reflected less reserve for impairment, if any, and depreciated on a straight-line method. Depreciation of assets held less than one year as of the balance sheet date is accounted proportionately. No amendment has been made to the depreciation method in the current period. The annual rates used, which approximate rates based on the estimated economic useful lives of the related assets, are as follows:

	%
Buildings	2
Motor vehicles	10-20
Furniture, fixtures and office equipment and others	2-50

Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

Maintenance costs of tangible fixed assets are capitalized if they extend the economic useful life of the related asset. Other maintenance costs are expensed.

There are no pledges, mortgages or other restrictions on the tangible fixed assets.

There are no purchase commitments related to the tangible fixed assets.

There are no anticipated changes in the accounting estimates, which could have a significant impact in the current and future periods.

The Parent Bank employs independent appraisers in determining the current fair values of its real estates when there is any indication of impairment in value of real estates.

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ACCOUNTING PRINCIPLES (Continued)

XIV. Explanations on Leasing Transactions

Tangible fixed assets acquired by financial leases are accounted for in accordance with TAS No:17. In accordance with this standard, the leasing transactions, which consist of only foreign currency liabilities, are translated to Turkish Lira with the exchange rates prevailing at the transaction dates and they are recorded as an asset or a liability. The foreign currency liabilities are translated to Turkish Lira with the Parent Bank's period end exchange rates. The increases/decreases resulting from the differences in the foreign exchange rates are recorded as expense/income in the relevant period. The financing cost resulting from leasing is distributed through the lease period to form a fixed interest rate.

In addition to the interest expense, depreciation expense is recorded for the depreciable leased assets in each period. The depreciation rate is determined in accordance with TAS No:16 "Accounting Standard for Tangible Fixed Assets" by taking the useful lives into account.

Operating lease payments are recognized as expense in the income statement on a straight line basis over the lease term.

The Group does not have any leasing transactions as "Lessor".

XV. Explanations on Provisions and Contingent Liabilities

Provisions are recognized when there is a present obligation, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by using the Group's best expectation of expenses in fulfilling the obligation as of the balance sheet date, and discounted to present value if material. 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".

According to the decision numbered 11-55/1438 dated 2 November 2011 of the Competition Board, investigation on some enterprises in banking sector, including the parent bank, allegedly violating the "Law about Preserving the Competition" numbered 4054 is continuing. Considering the investigation and uncertainty of the case, no provision is necessary as of 31 December 2012.

XVI. Explanations on Liabilities Regarding Employee Benefits

Defined Benefit Plans

In accordance with existing social legislation in Turkey, the Parent 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 Parent Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS No:19 "Turkish Accounting Standard on Employee Benefits".

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Parent Bank uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are reviewed annually. The carrying value of provision for employee termination benefits as of 31 December 2012 is TL93,125 (31 December 2011: TL 60,277).

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ACCOUNTING PRINCIPLES (Continued)

XVI. Explanations on Liabilities Regarding Employee Benefits (Continued)

	31 December 2012	31 December 2011
Discount Rate (%)	6.91	9.55
Expected Inflation Rate (%)	4.78	5.13

Employees transferred to the Bank following the business combination defined in “General Information” of the Parent Bank and Fortis Bank A.Ş. are the members of “Türk Dış Ticaret Bankası Mensupları Pension Fund Foundation” (the “Pension Fund”) which was established in May 1964 under the Provisional Article 20 of Social Insurance Law No: 506. Technical financial statements of the Pension Fund are reviewed by a licensed actuary in accordance with Article 38 of the Insurance Supervisory Law and the “Actuary Regulations” issued based on the same article. As of 31 December 2012, the Pension Fund has 2,571 employees and 873 pensioners (31 December 2011: 3,203 employees and 828 pensioners).

Provisional Article 23 (1) of Banking Law No: 5411 (the “Banking Law”) published in the Official Gazette repeated no: 25983 on 1 November 2005 requires the transfer of bank funds to the Social Security Institution (the “SSI”) within 3 years after the effective date of the Banking Law and the related paragraph also sets out the basis for the related transfer. However, Article 23 (1) of Banking Law No: 5411 was annulled based on the Constitutional Court’s ruling issued on 22 March 2007 and ruled for the stay of execution as of 31 March 2007. The related Court ruling and its basis were published in the Official Gazette No: 26731 on 15 December 2007.

Following the publication of the said decree of the Constitutional Court, the Turkish Grand National Assembly (the “TGNA”) initiated its studies on the development of new regulations in regards to the transfer of bank pension participations to the SSI and the related articles of the Social Security Law 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 31 December 2012. 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 Parent Bank management anticipates that any potential liability that may be incurred during or after the transfer within the above-mentioned limits will be likely recoverable, they believe such liabilities will not bring any additional liability to the Bank.

Defined Contribution Plans

The Parent Bank pays contributions to Social Security Funds and to “Security Fund” whose members joined to the Bank as a consequence of merger.

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ACCOUNTING PRINCIPLES (Continued)

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 Group calculates and reflects deferred tax asset or liability on timing differences which will result in taxable or deductible amounts in determining taxable profit of future periods.

As of 31 December 2012 and 31 December 2011, in accordance with TAS No: 12 “Turkish Accounting Standard on Income Taxes” and the changes in the circular of BRSA numbered BDDK.DZM.2/13/1-a-3 dated 8 December 2004, the Parent Bank calculated deferred tax asset on all deductible temporary differences except for general loan reserves, if sufficient taxable profit in future periods to recover such amounts is probable; as well as deferred tax liability on all taxable temporary differences. Deferred tax assets and liabilities are shown in the accompanying financial statements on a net basis in the standalone financial statements of the consolidated subsidiaries.

The net deferred tax asset is included in deferred tax asset and the net deferred tax liability is reflected under deferred tax liability on the balance sheet. The deferred tax charge of TL85,209 (31 December 2011: TL45,942 deferred tax charge) is stated under the tax provision in the income statement. The deferred tax of TL26,799 debit (31 December 2011: TL 45,271 charged) debited resulting from differences related to items that are debited or charged directly to equity is netted with relevant account groups consisting of amounts from available-for-sale financial assets, hedge funds and profit-tax transfers amounting to TL41,026 debited (31 December 2011: TL33,871 credit), TL 13,543 charged (31 December 2011: TL 1,126 debit), and TL 684 (31 December 2011: TL 12,526 charged) respectively.

Furthermore, as per the above circular of BRSA, deferred tax benefit balance resulting from netting of deferred tax assets and liabilities should not be used in dividend distribution and capital increase.

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ACCOUNTING PRINCIPLES (Continued)

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 Parent 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 Parent Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to İstanbul Trade Registry. Due to the merger, ceiling for the registered capital of the Parent Bank is increased from TL 1,400,000 to TL 2,204,390, and the issued capital of the Parent Bank is increased by TL 1,104,390 from TL 1,100,000 to TL 2,204,390.

XX. Explanations on Acceptances

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as probable commitments in off-balance sheet accounts.

XXI. Explanations on Government Incentives

There are no government incentives utilized by the Group.

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ACCOUNTING PRINCIPLES (Continued)

XXII. Explanations on Reporting According to Segmentation

The Group mainly operates in retail and corporate banking segments.

Current Period	Retail	Corporate	SME(*)	Treasury/ Head Office	Elimination	Total
Net interest income	266,534	303,512	777,574	592,456	(1)	1,940,075
Net fees and commissions income and other operating income	164,111	150,228	206,616	152,801	(1,653)	672,103
Trading profit / loss	(2,579)	672	(2,563)	(78,337)	18	(82,789)
Dividend income	-	-	202	22,518	(21,811)	909
Impairment provision for loans and other receivables (-)	(84,451)	(80,420)	(118,937)	(41,721)	-	(325,529)
Other operating expenses (-)	(226,090)	(68,904)	(403,885)	(868,923)	1,653	(1,566,149)
Profit before taxes	117,525	305,088	459,007	(221,206)	(21,794)	638,620
Tax provision (-)	-	-	(5,553)	(155,095)	-	(160,648)
Net profit for the period	117,525	305,088	453,454	(376,301)	(21,794)	477,972

Current Period	Retail	Corporate	SME(*)	Treasury/ Head Office	Elimination	Total
Segment assets	7,224,169	9,164,479	13,364,946	16,181,299	(72,798)	45,862,095
Investments in associates, subsidiaries and jointly controlled entities	-	2,430	4,502	167,866	(174,793)	5
Total Assets	7,224,169	9,166,909	13,369,448	16,349,165	(247,591)	45,862,100
Segment liabilities	15,885,453	9,780,913	5,169,332	10,099,790	(73,152)	40,862,336
Shareholders' equity	-	46,846	321,772	4,805,585	(174,439)	4,999,764
Total Liabilities	15,885,453	9,827,759	5,491,104	14,905,375	(247,591)	45,862,100

(*) SME that was reported in corporate banking in prior period is shown separately in current period.

Prior Period	Retail	Corporate	SME(*)	Treasury/ Head Office	Elimination	Total
Net interest income		175,970	771,201	507,994	-	1,455,165
Net fees and commissions income and other operating income		90,543	118,576	261,873	(3,336)	467,656
Trading profit / loss		10,464	58,013	(93,045)	44	(24,524)
Dividend income		-	-	18,902	(18,448)	454
Impairment provision for loans and other receivables (-)		55,610	108,547	(22,270)	-	141,887
Other operating expenses (-)		221,838	423,362	800,090	(1,866)	1,443,424
Profit before taxes		(471)	415,881	(82,096)	(19,874)	313,440
Tax provision (-)		-	2,758	84,662	-	87,420
Net profit for the period		(471)	413,123	(166,758)	(19,874)	226,020

Prior Period	Retail	Corporate	SME(*)	Treasury/ Head Office	Elimination	Total
Segment assets	6,130,484	19,953,069		14,430,066	(59,177)	40,454,442
Investments in associates, subsidiaries and jointly controlled entities	-	-		173,593	(173,588)	5
Total Assets	6,130,484	19,953,069		14,603,659	(232,765)	40,454,447
Segment liabilities	11,967,493	13,038,473		11,076,011	(58,308)	36,023,669
Shareholders' equity	-	28,765		4,576,470	(174,457)	4,430,778
Total Liabilities	11,967,493	13,067,238		15,652,481	(232,765)	40,454,447

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ACCOUNTING PRINCIPLES (Continued)

XXIII. Explanations on Other Matters

- i) It has been unanimously resolved in the General Ordinary Assembly dated 26 March 2012, whole balance of the profit shall be transferred to the extraordinary reserves after setting aside, in accordance with the proposal in the resolution dated 1 March 2011 and numbered 4655/18 of the Board of Directors, primary legal reserves of TL 10,334 the profit distributed to the holders of the founder jouissance certificates of full TL 0.17, the second legal reserves of full TL 0.02 and the amount of TL 908 which corresponds to the 75% of the profit from the sale of the subsidiary as per article 5.1/e of the Corporate Tax Law, as special reserves from the total profit amount of TL 206,675 of 2011 financial statements.

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SECTION FOUR

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP

I. Explanations Related to the Consolidated Capital Adequacy Standard Ratio

The method used for risk measurement in determining consolidated capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks ", "Communiqué on Credit Risk Mitigation Techniques", "Communiqué on Calculation of Risk Weighted Amounts for Securitisations" published in the Official Gazette dated 28 June 2012 numbered 28337 and the "Communiqué on Equities of Banks" published on 1 November 2006 in the Official Gazette numbered 26333. The Group's consolidated capital adequacy ratio is calculated as 14.84% in accordance with the related Communiqué as of 31 December 2012. As of 31 December 2011, consolidated capital adequacy ratio is calculated as 13.98% accordance with "Communiqué on Equities of Banks" published on 1 November 2006 Official Gazette numbered 26333

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.

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.

Counterparty receivables related to non-cash loans is multiplied with the loan conversion rates presented in article 5 of "Communique 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 "Communique on Measurement and Assessment of Capital Adequacy of Banks", is subjected to risk reduction presented in "Communique on Credit Risk Mitigation Techniques " and then included in the relevant exposure category presented in the article 6 of the "Communique 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 2 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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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP (Continued)

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

Information related to the capital adequacy ratio:

	Risk Weight									
	Consolidated									
	%0	%10	%20	%50	%75	%100	%150	%200	%1250	
Value at Credit Risk Exposure Categories										
Conditional and unconditional receivables from central governments or central bank	8,218,842	-	-	-	-	76,530	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	150,383	-	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	13,291	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organisations	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	1,472,341	966,230	-	680,011	14,485	-	-	-
Conditional and unconditional receivables from corporate	-	-	-	-	-	14,847,115	-	-	-	-
Conditional and unconditional retail Receivables	-	-	-	-	13,875,602	-	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	4,443,784	248,643	152,208	-	-	-	-
Past due receivables	-	-	-	-	-	257,656	14,270	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	26,379	858,747	1,252,069	-	-
Securities collateralised by mortgages	-	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
Other receivables	641,382	-	-	-	-	1,660,040	-	-	-	-
Total Value at Risk	8,860,224	-	1,622,724	5,410,014	14,124,245	17,713,230	887,502	1,252,069	-	-
Total Risk Weighted Assets	-	-	324,545	2,705,007	10,593,184	17,713,230	1,331,253	2,504,138	-	-

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP (Continued)

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

Summary information related to the consolidated capital adequacy ratio:

	Consolidated	Parent Bank
	Current Period	Current Period
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	2,813,709	2,652,601
Capital Requirement for Market Risk (CRMR)	52,213	37,474
Capital Requirement for Operational Risk CROR (*)	291,482	274,451
Shareholders' Equity	5,856,092	5,647,740
Shareholders' Equity /((CRCR+CRMR+CROR)*12.5*100)	14.84	15.24

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

Information related to the components of shareholders' equity:

	Consolidated		Parent Bank	
	Current Period	Prior Period	Current Period	Prior Period
CORE CAPITAL				
Paid-in Capital	2,204,390	2,204,390	2,204,390	2,204,390
Nominal Capital	2,204,390	2,204,390	2,204,390	2,204,390
Capital Commitments (-)	-	-	-	-
Inflation Adjustments to Paid-in Capital	200,262	200,262	200,262	200,262
Share Premium	2,565	2,565	2,565	2,565
Share Cancellation Profits	-	-	-	-
Reserves	1,942,144	1,727,670	1,740,661	1,534,894
Inflation Adjustments to Reserves	-	-	-	-
Profit	485,927	234,061	495,124	216,172
Current Period's Profit	476,430	224,564	485,627	206,675
Prior Period's Profit	9,497	9,497	9,497	9,497
Provision for Possible Losses (upto 25% of Core Capital)	-	-	-	-
Income on Sale of Equity Shares and Real Estates	101,391	100,483	101,391	100,483
Primary Subordinated Debts	178,230	188,890	178,230	188,890
Minority Shares	-	13,024	-	-
Loss (in excess of Reserves) (-)	-	-	-	-
Current Period's Losses	-	-	-	-
Prior Period's Losses	-	-	-	-
Leasehold Improvements on Operational Leases (-)	54,571	59,153	54,151	58,647
Intangible Assets (-)	25,012	20,133	443,401	438,346
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 (-)	-	-	-	-
Goodwill (net) (-)	421,124	421,124	-	-
Total Core Capital	4,614,202	4,170,935	4,425,071	3,950,663
SUPPLEMENTARY CAPITAL				
General Provisions	419,436	273,409	405,305	264,114
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	527	527	527
Primary Subordinated Debts excluding the portion included in Core Capital	-	-	-	-
Secondary Subordinated Debts	791,715	476,704	791,715	476,704
45% of Securities Value Increase Fund	25,083	(105,789)	27,695	(99,270)
Inflation Adjustments to Other Capital and Profit Reserves and Prior Periods' Profit/Loss (excluding inflation adjustment of reserves)	-	-	-	-
Minority Shares	7,702	(5)	-	-
Total Supplementary Capital	1,244,463	644,846	1,225,242	642,075
CAPITAL	5,858,665	4,815,781	5,650,313	4,592,738
DEDUCTIONS FROM CAPITAL	2,573	1,362	2,573	1,362
Unconsolidated Investments in Entities Operating in Banking and Financial Sectors	-	-	-	-
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	-	-	-	-
Investment in Banks and Financial Institutions that are not Consolidated but Accounted under Equity Accounting	-	-	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	1,324	305	1,324	305
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	1,162	1,057	1,162	1,057
Securitization Positions to be Deducted from Equity	-	-	-	-
Other	87	-	87	-
Total Shareholder's Equity	5,856,092	4,814,419	5,647,740	4,591,376

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP (Continued)

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

Information on applied approaches in order to evaluate internal capital adequacy within the scope of internal capital adequacy evaluation of internal capital requirement in terms of future and current activities:

According to definition and evaluation not to be exposed to risk at present or in the future, The Bank has created “Internal Capital Adequacy Evaluation Process” in order to provide development and implementation of proper risk management techniques aimed at reviewing and managing risks at issue, and providing sufficient capitalization to compensate risks at issue. Planning and performing the Evaluation Process responsibilities belongs to Group Risk Management (GRM) in accordance with article 45 of “Communiqué on Banks’ Internal Control and Risk Management Systems”. GRM includes contribution of Internal Audit, Internal Control and Department of Financial Affairs to demand and process to provide optimum comprehensive approach of Evaluation process. Evaluation process that is included countable and uncountable risks is risk-oriented and prudential, and constitutes a clearly connection between risk types and required capital level. Risk types considered on Evaluation Process is defined on the Evaluation Report and Risk Management Regulation.

Process and Evaluation Report is submitted to Board of Directors after being approved by Risk Policies Committee and Audit Committee

II. Explanations Related to the Consolidated Credit Risk

Credit risk is the risk that the Bank is a party in a contract whereby the counterparty fails to meet its obligation and causes to incur a financial loss.

The credit allocation is performed on a debtor and a debtor group basis within the limits. In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating procedures of the Bank. These criteria include geographical and sector concentrations. The sector concentrations for loans are monitored closely. In accordance with the Bank’s loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

The credit risks and limits related to treasury activities, the limits of the correspondent banks that are determined by their ratings and the control of the maximum acceptable risk level in relation to the equity of the Bank are monitored daily. Risk limits are determined in connection with these daily transactions, and risk concentration is monitored systematically concerning off-balance sheet operations.

As prescribed in the Communiqué on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”, the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Most of the statements of accounts for the loans are derived from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

According to the “Communiqué 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 numbered 26333 dated 1 November 2006 which was amended with the communiqué published in the Official Gazette numbered 27119 dated 23 January 2009; Non-required delay time Loans that is not classified as Group III Loans, whose principal and interest payment collection delayed more than 30 days are considered as Non-Performing Loan in the Accounting Practice; group III, IV and V loans defined on the mentioned communiqué are considered as impaired receivables without considering refinancing or addition accrued interest and quasi-interest loading to principal.

The Bank provides specific reserves to Group III, IV and V loans in accordance with “Communiqué on *Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves*”

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II. Explanations Related to the Consolidated Credit Risk (Continued)

Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types for the relevant period:

Exposure classifications	Current Period Risk Amount	Average Risk Amount
Conditional and unconditional receivables from central governments or central banks	8,295,372	8,523,851
Conditional and unconditional receivables from regional or local governments	151,469	140,254
Conditional and unconditional receivables from administrative units and non-commercial enterprises	13,291	13,447
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	3,169,866	2,962,336
Conditional and unconditional corporate receivables	15,615,157	15,398,339
Conditional and unconditional retail receivables	14,187,873	12,757,406
Conditional and unconditional secured mortgage receivables	4,844,635	6,139,288
Past due receivables	271,926	267,422
Receivables in high risk category defined by BRSA	2,137,640	1,946,208
Securities collateralised by mortgages	-	-
Securitisation positions	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-
Investments of natured collective investment enterprise	-	-
Other receivables	2,313,540	2,284,589

(*) Risk amounts after conversion rate to credit are given before credit risk mitigation.

(**) Average risk amount is calculated by taking the average of balances on quarterly prepared reports from (28.06.2012)the date Communiqué on Measurement and Assessment of Capital Adequacy of Banks is published to the end of the related period.

For the forward transactions and other similar positions of the Bank, operational limits are set by the Board of Directors and the transactions take place within these limits.

The fulfillment of the benefits and proceeds related to forward transactions is realized at maturity. However, in order to minimize the risk, counter positions of existing risks are entered into in the market due to necessity.

Indemnified non-cash loans are subject to the same risk weight as outstanding loans matured but not yet paid.

Since the volume of the restructured loans is not material to the financial statements, no additional follow up methodology is developed, except as stated in the regulations.

Financial institutions abroad and country risks of the Bank are generally taken for the financial institutions and countries that are rated at investment level by international rating agencies and which do not have the risk of failing to meet minimum obligations. Therefore, the probable risks are not material when the financial structure of the Bank is concerned.

The Bank does not have a material credit risk concentration as an active participant in the international banking market when the financial operations of the other financial institutions are concerned.

As of 31 December 2012, the receivables of the Bank from its top 100 and top 200 cash loan customers amount to TL3,794,140 and TL5,188,326 with a share of 12.34% and 16.87% respectively in the total cash loans.

As of 31 December 2012, the receivables of the Bank from its top 100 ve top 200 non-cash loan customers amount to TL3,963,574 and TL5,062,896 with a share of 37.78% and 48.26% respectively in the total non-cash loans.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP (Continued)

II. Explanations Related to the Consolidated Credit Risk (Continued)

As of 31 December 2012, the share of cash and non-cash receivables of the Bank from its top 100 ve top 200 loan customers in total balance sheet and off-balance sheet assets is 5.66% and 7.78% respectively.

As of 31 December 2012, the general loan loss provision related with the credit risk taken by the Bank is TL420,029 (31 December 2011: TL273,409).

The table below shows the maximum exposure to credit risk for the components of the financial statements:

	Current Period	Prior Period
Central Bank of Turkey	3,808,017	3,205,179
Due from banks	992,607	605,838
Other money markets	1,700,295	523,574
Trading financial assets	472,295	954,377
Derivative financial instruments held for trading	166,710	322,414
Derivative financial instruments for hedging purposes	16,883	22,800
Financial assets available-for-sale	4,308,832	4,697,945
Held-to-maturity investments	20,416	21,224
Loans	31,691,330	27,782,498
Total	43,177,385	38,135,849
Contingent liabilities	10,490,438	8,371,893
Commitments	9,837,623	8,208,620
Total	20,328,061	16,580,513
Total credit risk exposure	63,505,446	54,716,362

Credit quality per class of financial assets as of 31 December 2012 and 31 December 2011 is as follows:

Current Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans and receivables			
Commercial loans	20,110,717	924,202	21,034,919
Consumer loans	7,616,269	387,217	8,003,486
Credit cards	1,591,411	277,534	1,868,945
Other loans	88,238	-	88,238
Total	29,406,635	1,588,953	30,995,588
Prior Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans and receivables			
Commercial loans	18,208,166	796,226	19,004,392
Consumer loans	6,009,007	505,521	6,514,528
Credit cards	1,212,389	179,273	1,391,662
Other loans	52,905	-	52,905
Total	25,482,467	1,481,020	26,963,487

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP (Continued)

II. Explanations Related to the Consolidated Credit Risk (Continued)

Carrying amount per class of financial assets whose terms have been renegotiated:

	Current Period	Prior Period
Loans and receivables		
Commercial loans	170,772	75,913
Consumer loans	315,599	27,326
Credit cards	-	2,741
Total	486,371	105,980

Credit Rating System

The credit risk is assessed through the internal rating system of the Parent Bank, by classifying loans from highest grade to lowest grade according to the probability of default. As of 31 December 2012, consumer loans and business loans are excluded from the internal rating system of the Parent Bank and those loans are 37% of total loan portfolio. The risks that are subject to rating models can be allocated as follows:

Category	Description of Category	Share in the Total %
1st Category	The borrower has a very strong financial structure	35.52
2nd Category	The borrower has a good financial structure	24.93
3rd Category	The borrower has an intermediate level of financial structure	32.92
4th Category	The financial structure of the borrower has to be closely monitored in the medium term	6.63
Total		100.00

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP (Continued)

II. Explanations Related to the Consolidated Credit Risk (Continued)

Profile of significant exposures in major regions:

	Exposure Categories															
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Others
Current Period																
Domestic	339	29,902	7,775	-	-	826,027	10,147,660	8,985,816	2,491,666	275,866	3,792,259	-	-	-	-	1,486,153
European Union (EU)																
Countries	50,901	-	-	-	-	165,258	236,633	3,630	103	427	-	-	-	-	-	23,332
OECD Countries*	10,711	-	-	-	-	2,997	157,272	-	-	-	-	-	-	-	-	-
Off-Shore Banking Regions	4,874	-	-	-	-	93,589	35,581	43,104	11,873	1,541	-	-	-	-	-	-
USD, Canada	-	-	-	-	-	75,390	2,832	2	-	303	-	-	-	-	-	-
Other Countries	9,704	-	-	-	-	67,798	168,696	5,828	2,257	925	-	-	-	-	-	-
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated																
Assets/Liabilities**	-	392	5,515	-	-	269,523	4,866,484	1,602,525	54,683	-	26,824	-	-	-	-	162,674
Total	76,529	30,294	13,290	-	-	1,500,582	15,615,158	10,640,905	2,560,582	279,062	3,819,083	-	-	-	-	1,672,159

(*) Includes OECD countries other than EU countries, USA and Canada.

(**) Includes assets and liability items that can not be allocated on a consistent basis.

(***) Risk amounts after conversion rate to credit are given before credit risk mitigation

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP (Continued)

II. Explanations Related to the Consolidated Credit Risk (Continued)

Risk profile by Sectors or Counterparties:

	Exposure Categories																	Others	TL (*)	FC	Total
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings						
Agriculture	-	-	-	-	-	-	525,927	749,020	74,854	9,437	277	-	-	-	-	-	1,172,148	187,367	1,359,515		
Farming and Stockbreeding	-	-	-	-	-	-	463,177	689,401	69,355	8,824	175	-	-	-	-	-	1,066,633	164,299	1,230,932		
Forestry	-	-	-	-	-	-	56,744	50,650	4,171	571	83	-	-	-	-	-	90,136	22,083	112,219		
Fishery	-	-	-	-	-	-	6,006	8,969	1,328	42	19	-	-	-	-	-	15,379	985	16,364		
Manufacturing	-	70	-	-	-	-	9,579,276	3,512,412	463,581	108,990	10,620	-	-	-	-	-	7,538,823	6,136,126	13,674,949		
Mining and Quarrying	-	-	-	-	-	-	246,161	198,992	21,642	3,673	270	-	-	-	-	-	324,341	146,397	470,738		
Production	-	70	-	-	-	-	9,188,281	3,296,254	440,358	105,080	10,327	-	-	-	-	-	7,121,595	5,918,775	13,040,370		
Electricity, Gas and Water	-	-	-	-	-	-	144,834	17,166	1,581	237	23	-	-	-	-	-	92,887	70,954	163,841		
Construction	-	-	-	-	-	-	1,753,280	563,478	160,740	24,020	5,206	-	-	-	-	-	1,473,920	1,032,804	2,506,724		
Services	76,529	30,224	13,290	-	-	1,500,582	3,318,012	1,906,943	400,924	92,674	9,140	-	-	-	-	236,426	4,672,940	2,911,804	7,584,744		
Wholesale and Retail Trade	-	1,845	-	-	-	-	1,202,399	767,667	137,460	21,296	1,901	-	-	-	-	2,769	1,682,864	452,473	2,135,337		
Accommodation and Dining	-	-	-	-	-	-	347,922	143,785	58,077	3,131	284	-	-	-	-	-	329,191	224,008	553,199		
Transportation and Telecom.	-	-	-	-	-	-	796,230	485,749	50,073	26,305	579	-	-	-	-	-	890,908	468,028	1,358,936		
Financial Institutions	76,529	-	-	-	-	1,500,582	301,328	11,552	1,171	27,956	5,409	-	-	-	-	231,182	833,008	1,322,701	2,155,709		
Real Estate and Rental	-	-	-	-	-	-	384,627	274,681	117,044	6,307	390	-	-	-	-	-	393,066	389,983	783,049		
Services	-	-	13,290	-	-	-	117,458	110,210	16,032	5,082	413	-	-	-	308	223,917	38,876	262,793			
Self-Employment Services	-	-	-	-	-	-	5,137	21,554	2,933	534	36	-	-	-	-	1,946	31,534	607	32,141		
Educational Services	-	1	-	-	-	-	162,911	91,745	18,134	2,063	128	-	-	-	221	288,452	15,128	303,580			
Health and Social Services	-	28,378	-	-	-	-	438,663	3,909,052	1,460,483	43,941	3,793,840	-	-	-	-	1,435,733	10,805,592	276,120	11,081,712		
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total	76,529	30,294	13,290	-	-	1,500,582	15,615,158	10,640,905	2,560,582	279,062	3,819,083	-	-	-	-	1,672,159	25,663,423	10,544,221	36,207,644		

(*) Foreign Currency oriented credits are shown in TL column

(**) Risk amounts after conversion rate to credit are given before credit risk mitigation.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP (Continued)

II. Explanations Related to the Consolidated Credit Risk (Continued)

Analysis of maturity-bearing exposures according to remaining maturities:

Exposure Categories	Term To Maturity				
	Up to 1Month	1-3 Month	3-6 Month	6-12 Month	Over 1 year
Conditional and unconditional exposures to central governments or central banks	1,246	-	25,290	-	49,994
Conditional and unconditional exposures to regional governments or local authorities	161	335	303	795	28,308
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	7,775	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	484,520	59,853	289,790	162,653	66,658
Conditional and unconditional exposures to corporates	5,056,862	900,864	1,130,162	1,258,772	2,529,352
Conditional and unconditional retail exposures	4,210,944	348,825	412,364	653,218	3,405,587
Conditional and unconditional exposures secured by real estate property	467,421	28,686	60,514	83,749	1,865,315
Past due receivables	-	-	-	-	-
Items in regulatory high-risk category defined by BRSA	-	-	-	214,000	3,578,259
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporate	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Others	728,013	719	177	-	6
Total	10,956,942	1,339,282	1,918,600	2,373,187	11,523,479

Information about the risk exposure categories;

As explained on the 6. Article of the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks ", receivables from central governments or central banks are calculated according to the OECD's published country risks.

Receivables from unrated nonresident banks and brokerage houses may receive a risk weight lower than that applied to claims on its sovereign of incorporation. Unrated bank with a days to maturity less than 3 months subject to a floor of %20, days to maturity more than 3 months subject to a floor of %50. Receivables from corporate is subject to a floor of %100 or a higher country risk applied to sovereign of incorporation.

Credit quality step and risk weight matching table is shown below which is based on the OECD's published country risk classifications;

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II. Explanations Related to the Consolidated Credit Risk (Continued)

OECD Credit Quality Level	Receivables from Central Governments or Central Banks	Receivables from Banks and Brokerage Houses		Corporate Receivables
		DTM less than 3 months	DTM higher than 3 months	
0	0%	20%	50%	100%
1	0%	20%	50%	100%
2	20%	20%	50%	100%
3	50%	50%	50%	100%
4	100%	100%	100%	100%
5	100%	100%	100%	100%
6	100%	100%	100%	100%
7	150%	150%	150%	150%

Exposures by risk weights:

Risk Weights	%0	%10	%20	%50	%75	%100	%150	%200	%1250	Deductions from Equity
Exposures before Credit Risk										
Mitigation	8,860,224	-	1,627,238	5,435,599	14,436,516	18,501,620	887,501	1,252,069	-	503,280
Exposures after Credit Risk										
Mitigation	8,860,224	-	1,622,724	5,410,014	14,124,245	17,713,230	887,502	1,252,069	-	503,280

Informations in terms of major sectors and type of counterparties:

Major Sectors / Counterparties	Credits		Value Adjustments	Provisions
	Impaired Credits	Past Due Credits		
Agriculture	21,378	86,719	1,587	12,121
Farming and Stockbreeding	-	-	-	-
Forestry	21,146	85,378	1,562	11,937
Fishery	232	1,341	25	184
Manufacturing	297,839	356,163	6,513	204,366
Mining and Quarrying	70,927	1,710	31	70,433
Production	223,683	349,234	6,387	132,394
Electricity, Gas and Water	3,229	5,219	95	1,539
Construction	58,688	72,493	1,326	39,129
Services	146,721	297,269	5,395	83,790
Wholesale and Retail Trade	48,863	81,970	1,499	28,235
Accommodation and Dining	5,949	22,415	410	2,707
Transportation and Telecom.	57,115	69,810	1,235	32,720
Financial Institutions	1,216	21,283	389	868
Real Estate and Rental Services	12,153	27,721	507	6,040
Professional Services	-	-	-	-
Educational Services	954	4,647	85	529
Health and Social Services	20,471	69,423	1,270	12,691
Other	190,271	508,912	9,308	108,094
Total	714,897	1,321,556	24,129	447,500

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP (Continued)

II. Explanations Related to the Consolidated Credit Risk (Continued)

Information about Value Adjustment and Change in Provisions

	31.12.2011 Balance	Provision for Period	Provision Reversals	Other Adjustments*	31.12.2012 Balance
Specific Provisions	541,076	307,601	(94,380)	(306,797)	447,500
General Provisions	273,409	219,221	(73,034)	(160)	419,436

(*) Determined according to currency differences, business merger, acquisition and disposition of affiliate company

III. Explanations Related to the Consolidated Market Risk

The Bank’s risk management activities are managed under the responsibility of the Board of Directors in compliance with the “Communiqué on Banks’ Internal Control and Risk Management Systems” and “Communiqué on Measurement and Assessment of Capital Adequacy Ratios of Banks”.

The Board of Directors determines the limits for the basic risk that the Parent Bank is exposed to. Those limits are revised periodically in line with the market forces and strategies of the Parent Bank. Additionally, the Board of Directors has ensured that the risk management division and senior management has taken necessary precautions to describe, evaluate, control and manage risks faced by the Parent Bank.

Interest rate and exchange rate risks, arising from the volatility in the financial markets, of the financial positions taken by the Parent Bank related to balance sheet and off-balance sheet accounts are measured and while calculating the capital adequacy and the amount subject to VAR, as summarized below, is taken into consideration by the standard method. Beside the standard method, VAR is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by three different methods which are historic simulation, Monte Carlo simulation and parametric method. These results are also reported daily to the management.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP (Continued)

II. Explanations Related to the Consolidated Credit Risk (Continued)

a) i) Information Related to Market Risk

	Consolidated	Parent Bank
(I) Capital Requirement to be Employed For General Market Risk - Standard Method	13,429	12,998
(II) Capital Requirement to be Employed For Specific Risk - Standard Method	2,151	1,889
Capital requirement against Specific Risks of Securitisation Positions– Standard Method	-	-
(III) Capital Requirement to be Employed For Currency Risk – Standard Method	22,712	9,009
(IV) Capital Requirement to be Employed For Commodity Risk – Standard Method	-	-
(V) Capital Requirement to be Employed For Settlement Risk – Standard Method	-	-
(VI) Total Capital Requirement to be Employed For Market Risk Resulting From Options - Standard Method	523	523
(VII) Capital requirement against Counterparty Credit Risks - Standard Method	13,398	13,055
(VIII) Total Capital Requirement to be Employed For Market Risk	-	-
(IX) Total Capital Requirement against Market Risk (I+II+III+IV+V+VI+VII)	52,213	37,474
(X) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x IX)	652,663	468,425

ii) Average market risk table calculated at month ends during the period:

	Current Period		
	Average	Maximum	Minimum
Interest Rate Risk	23,037	33,106	14,463
Common Stock Risk	1,942	3,899	-
Currency Risk	20,813	22,812	18,594
Commodity Risk	-	-	-
Exchange Risk	-	-	-
Counterparty Credit Risk	307	671	2
Option Risk	15,986	18,574	13,398
Total Value Subject to Risk (*)	583,063	829,300	328,400

(*) “Total Value Subject to Risk” is calculated as the total amount of capital requirements for the market risk multiplied by 12.5.

III. Explanations Related to the Consolidated Market Risk

b) Information on Counterparty Credit Risk,

Limit requests of clients demanding derivative transaction are evaluated based on the related line of business in different credit committees. Limit amounts approved by credit committee are risk weighted limits. In calculation of risk amount traced to risk weighted limits is multiplied by ratios based on each factor’s historical movement and that change according to transaction’s nominal amount, transaction’s maturity, type, currency and purpose. Updates are generally conducted on a yearly basis except for the times of strict market fluctuations. In other words, if current tables do not cover risk calculations efficiently in case of strict market fluctuations, all tables are reviewed without waiting for annual period.

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III. Explanations Related to the Consolidated Market Risk (Continued)

b) Information on Counterparty Credit Risk, (Continued)

In table calculations, different time periods are considered while making analyses. If there is a period in data set with strictly fluctuating period, historical period after this period might be crucial. Also, in historical fluctuations, similar work meant for a data is organized separately. References provided by BNPP are also considered in the process. Eventually, all results are discussed firstly among line of business and then in the Market Risk Committee. Final decision is made by Risk Policy Committee and one of the alternatives is chosen.

Customers demanding derivative transactions are separated into two based on the purpose of the transaction. Decision of allocating the client to a group is given with taking into consideration client’s all transactions. Related Credit Department decides on the evaluation of client either in trading derivative transaction limit or in hedging derivative transaction limit.

In principle, all individual customers are evaluated as in trading portfolio, and The Bank works with 100% cash and cash equivalent collaterals. Commercial and corporate customers are evaluated different for each firm and based on the decision given, are subject to different collateral conditions. Risks are monitored daily based on the collateral conditions set with the client, and additional collaterals are demanded when a necessity arises according to internally set principles.

For derivative transactions made with banks, ISDA, CSA and GMRA agreements are requested from counterparties. In principle, derivative transactions are not made with banks that do not sign these agreements. Collateral management is made on a daily basis with banks considering agreement conditions so that counterparty risk is minimized.

All open derivative transactions are evaluated daily by using market data, and resulting evaluation amount is installed to system. As a new transaction is made, risk amount calculated with risk weights is reflected automatically to the system. In other words, counterparty risk regarding all derivative transactions is monitored on banking system. Collateral amount required for customer transactions, transaction evaluation amount and risk weighted nominal amount is monitored daily by considering collateral condition and limit monitoring principles set up by the Bank.

Simulations of transactions are conducted in order to be able to see the level of capital consumption on transaction basis. Ratings and Basel II portfolios of derivative customers and banks are reviewed and updated monthly. These are considered in the calculation of capital requirement and evaluation of collateral conditions.

Quantitative Information on Counterparty Risk:

	Trading Book	Banking Book	Total
Agreement Based on Interest Rate	4,132	4,922	9,054
Agreement Based on Foreign Exchange Currency	81,550	23,403	104,953
Agreement Based on Commodity	-	-	-
Agreement Based on Equity Agreement	-	-	-
Hisse Senedine Dayalı Sözleşmeler	-	-	-
Other	-	-	-
Gross Positive Fair Value	86,608	1,442	88,050
Benefits of Netting	-	-	-
Current Net Risk Amount	-	-	-
Reserved Guarantee	-	-	-
Net Position of Derivatives	172,290	29,767	202,057

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP (Continued)

IV. Explanations Related to the Consolidated Operational Risk

- a) Operational risk has been calculated using the basic indicator approach. Market risk measurements are performed monthly.
- b) In case of application of the standart method:

	31.12.2009	31.12.2010	31.12.2011	Total/Positive Year	Rate (%)	Total
GROSS Income	1,952,490	2,071,801	1,805,354	1,943,215	15	291,482
Amount subject to Operational Risk (Total*12,5)						3,643,525

- c) The Group does not use the standard method
- d) The Group does not use any alternative approach in standart method

V. Explanations Related to the Consolidated Currency Risk

Foreign currency risk indicates the probability of loss that the Group is subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Group are taken into consideration and risk is calculated by using the standard method.

The Board of Directors of the Parent Bank sets limits for the positions, which are followed up daily. Any possible changes in the foreign currency transactions in the Parent Bank’s positions are also monitored.

As an element of the Group’s risk management strategies, foreign currency liabilities are hedged against exchange rate risk by derivative instruments.

The Treasury Department of the Parent Bank is responsible for the management of Turkish Lira or foreign currency price, liquidity and affordability risks that could occur in the domestic and international markets within the limits set by the Board of Directors. The monitoring of risk and risk related transactions occurring in the money markets is performed daily and reported to the Parent Bank’s Asset-Liability Committee on a weekly basis.

As of 31 December 2012, the Group’s net long position is TL2,059,808 (31 December 2011: TL1,597,508 net long) resulting from short position on the balance sheet amounting to TL2,647,608 (31 December 2011: TL 2,285,944 short) and long position on the off-balance sheet amounting to TL 587,800 (31 December 2011: TL 688,436 long).

The announced current foreign exchange buying rates of the Parent Bank at 31 December 2012 and the previous five working days in full TL are as follows:

	24.12.2012	25.12.2012	26.12.2012	27.12.2012	28.12.2012	31.12.2012
USD	1.7928	1.7908	1.7895	1.7858	1.7832	1.7823
JPY	0.0212	0.0211	0.0210	0.0208	0.0207	0.0206
EURO	2.3682	2.3608	2.3710	2.3700	2.3577	2.3548

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 31 December 2012 are as follows:

	Monthly Average Foreign Exchange Rate
USD	1.7837
JPY	0.0213
EURO	2.3392

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP (Continued)

V. Explanations Related to the Consolidated Currency Risk (Continued)

Foreign currency sensitivity:

The Parent Bank is mainly exposed to EUR and USD currency risks.

The following table details the Parent Bank’s sensitivity to a 10% change in the TL against USD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign exchange rates. A positive number indicates an increase in profit or loss and other equity in the case of short position and a decrease in the case of long position where the TL strengthens against USD and EUR.

	Change in currency rate in %	Effect on profit or loss		Effect on equity (*)	
		31 December 2012	31 December 2011	31 December 2012	31 December 2011
USD	10 increase	18,779	3,336	401	12
USD	10 decrease	(18,779)	(3,336)	(401)	(12)
EURO	10 increase	39,794	65,980	223	(1,212)
EURO	10 decrease	(39,794)	(65,980)	(223)	1,212

(*) The effect on equity does not include the effect of changes in foreign exchange rate on the income statement.

The Group’s sensitivity to foreign currency rates have not changed significantly during the current period. The positions taken in line with market expectations can increase the foreign currency sensitivity from period to period

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP (Continued)

V. Explanations Related to the Consolidated Currency Risk (Continued)

Information on the foreign currency risk of the Group:

Current Period	EUR	USD	OTHER	TOTAL
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1,479,318	1,440,153	761,071	3,680,542
Banks	252,737	178,552	132,566	563,855
Financial Assets at Fair Value Through Profit and Loss (***)	10,033	29,080	613	39,726
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	51,119	6,964	3,633	61,716
Loans (**)	3,305,754	4,316,821	775,615	8,398,190
Subsidiaries, Associates and Entities Under Common Control	-	-	-	-
Held-To-Maturity Investments	9,704	10,712	-	20,416
Derivative Financial Assets for Hedging Purposes	-	157	-	157
Tangible Assets	8,065	-	-	8,065
Intangible Assets	808	-	-	808
Other Assets (***)	251,108	211,057	9,313	471,478
Total Assets	5,368,646	6,193,496	1,682,811	13,244,953
Liabilities				
Bank Deposits	75,658	27,857	39,432	142,947
Foreign Currency Deposits (*)	2,901,926	4,847,389	1,025,402	8,774,717
Money Market Borrowings	-	-	-	-
Funds Provided From Other Financial Institutions (***)	3,888,985	1,921,956	534,144	6,345,085
Marketable Securities Issued	-	-	-	-
Sundry Creditors	15,893	12,005	1,486	29,384
Derivative Financial Liabilities for Hedging Purposes	-	1	-	1
Other Liabilities (***)	6,789	4,349	1,489	12,627
Total Liabilities	6,889,251	6,813,557	1,601,953	15,304,761
Net Balance Sheet Position	(1,520,605)	(620,061)	80,858	(2,059,808)
Net Off-Balance Sheet Position	1,928,082	782,648	(63,122)	2,647,608
Financial Derivative Assets (****)	5,079,363	8,921,226	867,544	14,868,133
Financial Derivative Liabilities (****)	3,151,281	8,138,578	930,666	12,220,525
Non-Cash Loans (*****)	3,018,025	3,275,566	164,051	6,457,642
Prior Period				
Total Assets	4,897,771	7,012,383	1,204,872	13,115,026
Total Liabilities	5,897,154	7,855,601	959,779	14,712,534
Net Balance Sheet Position	(999,383)	(843,218)	245,093	(1,597,508)
Net Off-Balance Sheet Position	1,647,059	876,693	(237,808)	2,285,944
Financial Derivative Assets	4,703,557	6,281,280	874,992	11,859,829
Financial Derivative Liabilities	3,056,498	5,404,587	1,112,800	9,573,885
Non-Cash Loans (*****)	1,963,272	2,817,188	147,718	4,928,178

(*) Precious metal accounts amounting to TL 798,011 (31 December 2011: TL 660,316) are included in the foreign currency deposits.

(**) Foreign currency indexed loans amounting to TL 1,907,927 (31 December 2011: TL 2,278,177) are included in the loan portfolio.

(***) TL27,259 (31 December 2011: TL16,175) foreign currency indexed factoring receivables is included in other assets, while TL53,288 (31 December 2011: TL87,149) expense accruals from derivative financial instruments, and TL12,286 (31 December 2011: TL7,232) provision for general loan losses are deducted from other liabilities. TL 150 (31 December 2011: TL 124) foreign currency indexed factoring payables is included in the other liabilities. Foreign currency indexed liabilities are included in funds provided from other financial institutions.

(****) Forward asset and marketable securities purchase-sale commitments of TL654,449 (31 December 2011: TL 383,109) are added to derivative financial assets and TL431,360 (31 December 2011: TL 345,025) has been added to derivative financial liabilities.

(*****) TL55,161 (31 December 2011: TL 47,873) income accruals from derivative financial instruments is deducted from Financial Assets at Fair Value Through Profit and Loss.

(*****) There is no effect on the net off-balance sheet position.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP (Continued)

VI. Explanations Related to Consolidated Interest Rate Risk

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Parent Bank’s position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk for capital adequacy.

The first priority of the risk management department is to protect from interest rate volatility. Duration, maturity and sensitivity analysis performed within this context are calculated by the risk management department and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Group.

The Parent Bank management monitors the market interest rates on a daily basis and revises the interest rates of the Parent Bank when necessary.

Since the Group does not allow maturity mismatches or imposes limits on the mismatch, no significant interest rate risk exposure is expected.

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	-	-	4,449,400	4,449,400
Banks	786,614	2,003	-	-	-	219,699	1,008,316
Financial Assets at Fair Value Through Profit and Loss	10,609	73,402	323,414	57,296	26,945	147,339	639,005
Money Market Placements	1,700,525	-	-	-	-	-	1,700,525
Available-For-Sale Financial Assets	658,492	592,162	1,692,743	1,271,236	69,596	24,603	4,308,832
Loans and receivables (*)	11,141,620	1,996,166	5,282,608	9,263,495	2,957,548	354,151	30,995,588
Factoring Receivables	421,330	236,115	92,790	-	-	4,532	754,767
Financial Lease Receivables	-	-	-	-	-	-	-
Held-To-Maturity Investments	-	-	20,416	-	-	-	20,416
Other Assets	523	-	714	10,088	1,175	1,972,751	1,985,251
Total Assets	14,719,713	2,899,848	7,412,685	10,602,115	3,055,264	7,172,475	45,862,100
Liabilities							
Bank Deposits	668,839	27,165	7,073	35,622	-	193,087	931,786
Other Deposits	15,243,909	8,049,215	1,447,678	152,770	263	4,134,313	29,028,148
Money Market Borrowings	65,120	-	-	-	-	-	65,120
Sundry Creditors	-	-	-	-	-	888,339	888,339
Marketable Securities Issued	287,660	-	206,577	-	-	-	494,237
Funds Provided From Other Financial Institutions	1,244,340	3,650,455	1,420,074	160,479	572,147	-	7,047,495
Factoring Payables	-	-	-	-	-	3,988	3,988
Other Liabilities	1,398	133	5,894	163,461	18,460	7,213,641	7,402,987
Total Liabilities	17,511,266	11,726,968	3,087,296	512,332	590,870	12,433,368	45,862,100
Balance Sheet Long Position	-	-	4,325,389	10,089,783	2,464,394	-	16,879,566
Balance Sheet Short Position	(2,791,553)	(8,827,120)	-	-	-	(5,260,893)	(16,879,566)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	(13,079)	-	-	(13,079)
Total Position	(2,791,553)	(8,827,120)	4,325,389	10,076,704	2,464,394	(5,260,893)	(13,079)

(*) Loans with floating interest rates of the Parent Bank amounting to TL6,859,836 are included in “Up to 1 Month” while mark to market differences from hedged loans amounting to TL16,309 are included in “1-5 Years”.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP (Continued)

VI. Explanations Related to Consolidated Interest Rate Risk (Continued)

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL256,273; intangible assets amounting to TL446,136, assets held for resale amounting to TL61,590, entities under common control (joint vent.) amounting to TL5, and the other liabilities line includes the shareholders’ equity of TL4,999,764.

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	-	-	4,018,257	4,018,257
Banks	444,370	2,105	4,185	-	-	155,178	605,838
Financial Assets at Fair Value Through Profit and Loss	205,986	102,628	287,930	254,100	119,732	306,415	1,276,791
Money Market Placements	523,574	-	-	-	-	-	523,574
Available-For-Sale Financial Assets	643,573	383,893	1,730,785	1,501,156	413,525	25,013	4,697,945
Loans and receivables (*)	9,676,496	2,113,963	4,306,352	8,196,203	2,400,559	269,914	26,963,487
Factoring Receivables	467,221	237,708	112,918	-	-	1,164	819,011
Financial Lease Receivables	-	-	-	-	-	-	-
Held-To-Maturity Investments	-	-	362	20,862	-	-	21,224
Other Assets	417	-	1,526	12,840	2,998	1,510,539	1,528,320
Total Assets	11,961,637	2,840,297	6,444,058	9,985,161	2,936,814	6,286,480	40,454,447
Liabilities							
Bank Deposits	931,858	3,780	4,141	-	-	192,648	1,132,427
Other Deposits	15,248,433	3,389,472	404,507	102,295	-	3,820,316	22,965,023
Money Market Borrowings	25,518	1,079,230	-	-	-	-	1,104,748
Sundry Creditors	180,613	-	-	-	-	661,043	841,656
Marketable Securities Issued	-	-	249,107	-	-	-	249,107
Funds Provided From Other Financial Institutions	2,224,395	2,421,923	3,024,009	307,383	184,390	-	8,162,100
Factoring Payables	-	-	-	-	-	6,510	6,510
Other Liabilities	3,946	16,200	20,636	43,099	9,227	5,899,768	5,992,876
Total Liabilities	18,614,763	6,910,605	3,702,400	452,777	193,617	10,580,285	40,454,447
Balance Sheet Long Position	-	-	2,741,658	9,532,384	2,743,197	-	15,017,239
Balance Sheet Short Position	(6,653,126)	(4,070,308)	-	-	-	(4,293,805)	(15,017,239)
Off-Balance Sheet Long Position	40,913	60,579	380,511	1,123,856	303,565	-	1,909,424
Off-Balance Sheet Short Position	(40,691)	(60,579)	(358,127)	(1,116,079)	(303,565)	-	(1,879,041)
Total Position	(6,652,904)	(4,070,308)	2,764,042	9,540,161	2,743,197	(4,293,805)	30,383

(*) Loans with floating interest rates of the Parent Bank amounting to TL6,134,943 are included in “Up to 1 Month” while mark to market differences from hedged loans amounting to TL11,554 are included in “1-5 Years”.

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL264,311, intangible assets amounting to TL441,257, assets held for resale amounting to TL67,049, entities under common control (joint vent.) amounting to TL5, and the other liabilities line includes the shareholders’ equity of TL4,430,778.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP (Continued)

VI. Explanations Related to Consolidated Interest Rate Risk (Continued)

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

Average interest rates applied to monetary financial instruments:

	EURO	USD	YEN	TL
	%	%	%	%
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	0.19	0.18	-	5.65
Financial Assets at Fair Value Through Profit and Loss	4.91	4.39	-	6.07
Money Market Placements	-	-	-	6.33
Available-For-Sale Financial Assets	1.34	2.81	-	5.87
Loans	4.38	5.31	4.64	12.59
Leasing Receivables	-	-	-	-
Factoring Receivables	3.48	2.84	-	12.45
Held-To-Maturity Investments	6.21	5.28	-	-
Liabilities				
Bank Deposits	1.01	0.72	-	5.33
Other Deposits	2.71	2.60	0.51	8.35
Money Market Borrowings	-	-	-	5.25
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	7.02
Funds Provided From Other Financial Institutions	1.59	2.91	2.44	9.69
	EURO	USD	YEN	TL
	%	%	%	%
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	0.83	0.28	-	10.38
Financial Assets at Fair Value Through Profit and Loss	4.98	4.73	-	10.20
Money Market Placements	-	-	-	11.77
Available-For-Sale Financial Assets	4.55	3.34	-	9.48
Loans	5.29	5.27	2.74	13.60
Leasing Receivables	-	-	-	-
Factoring Receivables	3.86	2.85	-	15.65
Held-To-Maturity Investments	5.12	5.28	-	-
Liabilities				
Bank Deposits	1.11	1.25	-	5.70
Other Deposits	4.05	4.38	0.41	10.88
Money Market Borrowings	-	-	-	6.91
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	8.73
Funds Provided From Other Financial Institutions	3.45	2.13	2.95	8.79

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP (Continued)

VI. Explanations Related to Consolidated Interest Rate Risk (Continued)

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 issued products in calculation of interest rate sensitivity.

- b) The Parent Bank only economic value differences resulted from interest rate instabilities calculated according to “Regulation on measurement and evaluation of interest rate risk resulted from the banking accounts as per standard shock method”:

Type of Currency	Shock Applied (+/- x basis point)	Gains/ (Losses)	Gains/Equity– (Losses)/Equity
TRY	500	(638,276)	%(11.31)
TRY	(400)	599,877	%10.63
EURO	200	(14,531)	%(0.26)
EURO	(200)	16,884	%0.30
USD	200	(15,508)	%(0.27)
USD	(200)	16,776	%0.30
Total (of negative shocks)	(800)	633,537	%11.22
Total (of positive shocks)	900	(668,315)	%(11.84)

Equity share position risk in banking accounts

The Parent Bank’s 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.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP (Continued)

VII. Explanations Related to Consolidated Liquidity Risk

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows completely and timely.

Liquidity risk may also occur when the market penetration is not adequate, when the open positions cannot be closed quickly at suitable prices and sufficient amounts due to barriers and break-ups at the markets.

The Group’s policy is to establish an asset structure that can meet all kinds of liabilities by liquid sources at all times. In this context, liquidity problem has not been faced in any period. In order to maintain this, the Board of Directors of the Parent Bank continuously determines standards for the liquidity ratios, and monitors them.

According to the general policies of the Group, the matching of the maturity and interest rate structure of assets, and liabilities is always established within the asset liability management strategies. A positive difference is tried to be established between the yields of TL and foreign currency assets and liabilities on the balance sheet and their costs. According to this strategy, the Parent Bank manages its maturity risk within the limits determined by Parent Bank’s Board of Directors.

When the funding and liquidity sources are considered, the Parent Bank covers majority of its liquidity need by deposits, and in addition to this source, it makes use of pre-financing and syndication products to generate additional sources. Generally the Parent Bank is in a lender position.

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 parent bank’s net liquid assets/ loans to customers ratio within the limit.

	Current Year	Prior Year
	%	%
Average	23	25
Maximum	30	30
Minumun	17	20

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP (Continued)

VII. Explanations Related to Consolidated Liquidity Risk (Continued)

Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Undistributed (*)	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1,088,529	3,360,871	-	-	-	-	-	4,449,400
Banks	444,463	561,850	2,003	-	-	-	-	1,008,316
Financial Assets at Fair Value Through Profit and Loss	-	29,814	101,044	400,857	79,639	27,651	-	639,005
Money Market Placements	-	1,700,525	-	-	-	-	-	1,700,525
Available-For-Sale Financial Assets	24,603	144,922	284,166	1,473,679	1,944,119	437,343	-	4,308,832
Loans(**)	-	11,013,426	1,297,875	5,351,396	9,955,594	3,109,901	267,396	30,995,588
Factoring Receivables	-	421,330	236,115	92,790	-	-	4,532	754,767
Financial Lease Receivables	-	-	-	-	-	-	-	-
Held-To-Maturity Investments	-	-	-	20,416	-	-	-	20,416
Other Assets	-	1,588	718	890	15,002	1,174	1,965,879	1,985,251
Total Assets	1,557,595	17,234,326	1,921,921	7,340,028	11,994,354	3,576,069	2,237,807	45,862,100
Liabilities								
Bank Deposits	193,156	668,770	27,165	7,073	35,622	-	-	931,786
Other Deposits	4,622,556	14,755,666	8,049,215	1,447,678	152,770	263	-	29,028,148
Funds Provided From Other Financial Institutions	-	880,955	2,404,421	2,235,060	596,719	930,340	-	7,047,495
Money Market Borrowings	-	65,120	-	-	-	-	-	65,120
Marketable Securities Issued	-	287,660	-	206,577	-	-	-	494,237
Sundry Creditors	-	888,204	112	20	3	-	-	888,339
Factoring Payables	-	3,988	-	-	-	-	-	3,988
Other Liabilities	-	1,350,225	52,471	101,075	184,538	18,460	5,696,218	7,402,987
Total Liabilities	4,815,712	18,900,588	10,533,384	3,997,483	969,652	949,063	5,696,218	45,862,100
Liquidity Gap	(3,258,117)	(1,666,262)	(8,611,463)	3,342,545	11,024,702	2,627,006	(3,458,411)	-
Prior Period								
Total Assets	2,684,672	12,835,128	2,117,862	6,229,373	11,152,439	3,719,934	1,715,039	40,454,447
Total Liabilities	4,481,453	20,313,120	5,407,083	3,394,558	1,132,756	831,742	4,893,735	40,454,447
Liquidity Gap	(1,796,781)	(7,477,992)	(3,289,221)	2,834,815	10,019,683	2,888,192	(3,178,696)	-

(*) The assets which are necessary to provide banking services and could not be liquidated in a short term, such as tangible assets, investments in subsidiaries and associates, office supply inventory, prepaid expenses and non-performing loans, are classified as under undistributed.

(**) Loans with floating interest rates of the Parent Bank amounting to TL6,859,836 (31 December 2011: TL 5,961,704) are included in “Up to 1 Month” while mark to market differences from hedged loans amounting to TL16,309 (31 December 2011: TL 11,554) are included in “1-5 Years”.

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VII. Explanations Related to Consolidated Liquidity Risk (Continued)

Analysis of financial liabilities by remaining contractual maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Adjustments	Total
As of 31 December 2012,								
Money Market Borrowings	-	65,120	-	-	-	-	-	65,120
Deposit	4,622,556	14,790,598	8,148,705	1,492,474	165,314	14	(191,513)	29,028,148
Bank Deposit	193,156	669,073	27,767	7,296	36,028	-	(1,534)	931,786
Funds provided from other financial institutions	-	580,425	915,085	4,016,500	954,822	1,210,239	(629,576)	7,047,495
Total	4,815,712	16,105,216	9,091,557	5,516,270	1,156,164	1,210,253	(822,623)	37,072,549
As of 31 December 2011,								
Money Market Borrowings	-	1,105,719	-	-	-	-	(971)	1,104,748
Deposit	4,286,199	14,834,731	3,423,247	418,239	110,527	-	(107,920)	22,965,023
Bank Deposit	192,716	931,943	3,780	4,314	-	-	(326)	1,132,427
Funds provided from other financial institutions	-	1,853,143	2,024,544	2,806,047	1,238,554	1,063,599	(823,787)	8,162,100
Total	4,478,915	18,725,536	5,451,571	3,228,600	1,349,081	1,063,599	(933,004)	33,364,298

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments::

	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Total
As of 31 December 2012,						
Derivative financial instruments for hedging purposes						
Fair value hedge	1,804	13,835	30,126	1,486,575	-	1,532,340
Cash flow hedge	18,992	21,014	98,328	158,780	2,228	299,342
Held for trading transactions						
Foreign exchange forward contracts-sell	1,011,976	1,007,121	1,071,242	56,403	-	3,146,742
Currency swaps-sell	2,140,278	1,194,078	2,617,801	220,795	-	6,172,952
Interest rate swaps-sell	5,790	1,031	6,260	22,170	692	35,943
Foreign currency futures-sell	-	-	-	-	-	-
Foreign currency options-sell	2,389,585	3,064,581	2,985,520	942	-	8,440,628
Total	5,568,425	5,301,660	6,809,277	1,945,665	2,920	19,627,946
As of 31 December 2011,						
Derivative financial instruments for hedging purposes						
Fair value hedge	-	-	13,723	132,443	-	146,166
Cash flow hedge	6,261	11,362	69,042	160,037	5,562	252,264
Held for trading transactions						
Foreign exchange forward contracts-sell	1,095,273	501,255	553,167	181,084	-	2,330,779
Currency swaps-sell	2,338,734	1,001,159	1,798,633	196,565	-	5,335,091
Interest rate swaps-sell	136	8,364	15,876	23,312	-	47,688
Foreign currency futures-sell	-	-	-	-	-	-
Foreign currency options-sell	2,438,145	1,511,274	3,277,327	36,802	-	7,263,548
Total	5,878,549	3,033,414	5,727,768	730,243	5,562	15,375,536

Table above shows cash outflows of derivative instruments

Securitisation positions:

The Group does not apply securitisation as of 31 December 2012.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP (Continued)

VII. Explanations Related to Consolidated Liquidity Risk (Continued)

Credit Risk Mitigation Techniques:

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

Parent 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 considered important in market conditions are monitored.

- c) Types of collaterals received,

In terms of credit risk mitigation, the Parent 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 Parent bank credit customers obtained guarantee from other entities.

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

Parent 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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VII. Explanations Related to Consolidated Liquidity Risk (Continued)

Credit Risk Mitigation Techniques: (Continued)

f) Collaterals in terms of Risk Categories:

Exposure classifications	Amount	Financial Collaterals	Other/Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	76,530	-	-	-
Conditional and unconditional receivables from regional or local governments	30,077	1,147	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	13,291	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1,479,557	54,285	-	-
Conditional and unconditional corporate receivables	14,876,740	896,414	-	-
Conditional and unconditional retail receivables	10,406,701	378,919	-	-
Conditional and unconditional secured mortgage receivables	2,560,582	-	-	-
Non-performing loan	278,647	-	-	-
Receivables in high risk category defined by BRSA	3,818,638	1,523	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	1,653,264	12,118	-	-
Total	35,194,027	1,344,406	-	-

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 of Parent Bank 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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VII. Explanations Related to Consolidated Liquidity Risk (Continued)

Risk management objectives and policies: (Continued)

b) Risk management system’s structure and organization

Risk management operations consist of risk measurement, monitoring of risks, control of risks and reporting operations. Risk management operations are conducted by group risk management and personnel.

Group risk management head 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 Parent 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 Parent 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

Parent 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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VII. 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 financial figures.

According to economic cost approach, changes in market interest rates may effect 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 calculated by discounting expected cash flow.

Economic value of the Parent 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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VII. 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 Parent Bank maintains legal validation of collaterals are used for credit risk mitigation and complies with operational standarts 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.

VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	38,788,444	32,799,469	38,967,937	33,256,597
Money Market Placements	1,700,525	510,975	1,700,525	523,574
Banks	1,008,316	605,838	1,008,316	605,838
Available-For-Sale Financial Assets	4,308,832	4,697,945	4,308,832	4,697,945
Held-To-Maturity Investments	20,416	21,224	20,528	21,713
Loans(**)	31,750,355	26,963,487	31,929,736	27,407,527
Financial Liabilities	38,455,125	38,173,493	38,464,480	34,297,407
Bank Deposit	931,786	1,132,427	932,076	1,132,167
Other Deposit	29,028,148	22,965,023	29,035,959	22,807,961
Funds Borrowed From Other Financial (*)	7,112,615	12,985,280	7,112,720	9,266,847
Marketable Securities Issued	494,237	249,107	495,386	248,776
Sundry Creditors	888,339	841,656	888,339	841,656

(*) Funds provided under repo transactions and subordinated loans are included in funds borrowed from other financial institutions.

(**) Factoring receivables are included in loans

The table above shows the book value and the fair value of the financial assets and liabilities which are not disclosed at their fair value in the financial statements of the Bank.

Current period investment securities are comprised of interest-bearing assets held-to-maturity and interest-bearing assets available-for-sale. The fair value of the held to maturity assets is determined by market prices or quoted market prices of other marketable securities which are subject to redemption with same characteristics in terms of interest, maturity and other similar conditions when market prices cannot be determined.

The book value of demand deposits, money market placements with floating interest rate and overnight deposits represents their fair values due to their short-term nature. The estimated fair value of deposits and funds provided from other financial institutions with fixed interest rate is calculated by determining their cash flows discounted by the current interest rates used for other liabilities with similar characteristics and maturity structure. The fair value of loans is calculated by determining the cash flows discounted by the current interest rates used for receivables with similar characteristics and maturity structure. The book value of the sundry creditors reflects their fair values since they are short-term.

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VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value (Continued)

The fair values of financial assets and financial liabilities are determined as follows:

- Tier 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Tier 2: The fair value of other financial assets and financial liabilities are determined in accordance with inputs other than quoted prices included within Tier 1, that are observable either directly or indirectly in the market.
- Tier 3: The fair value of the financial assets and financial liabilities where there is no observable market data.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involves the use of non-observable inputs.

31 December 2012	Tier 1	Tier 2	Tier 3	Total
Financial Assets				
Financial assets at fair value through profit and loss	472,295	166,710	-	639,005
<i>Public sector debt securities</i>	472,295	-	-	472,295
<i>Derivative financial assets held for trading</i>	-	166,710	-	166,710
Derivative financial assets for hedging purposes	-	16,883	-	16,883
Available-for-sale financial assets	4,286,049	14,099	-	4,300,148
<i>Public sector debt securities</i>	4,279,355	4,874	-	4,284,229
<i>Other available-for-sale financial assets(*)</i>	6,694	9,225	-	15,919
Financial Liabilities				
Derivative financial liabilities held for trading	-	234,815	-	234,815
Derivative financial liabilities for hedging purposes	-	168,507	-	168,507
31 December 2011				
Financial Assets				
Financial assets at fair value through profit and loss	754,577	522,214	-	1,276,791
<i>Public sector debt securities</i>	754,577	199,800	-	954,377
<i>Derivative financial assets held for trading</i>	-	322,414	-	322,414
Derivative financial assets for hedging purposes	-	22,800	-	22,800
Available-for-sale financial assets	3,679,076	1,008,370	-	4,687,446
<i>Public sector debt securities</i>	3,673,789	999,143	-	4,672,932
<i>Other available-for-sale financial assets(*)</i>	5,287	9,227	-	14,514
Financial Liabilities				
Derivative financial liabilities held for trading	-	273,799	-	273,799
Derivative financial liabilities for hedging purposes	-	50,447	-	50,447

(*) TL 8,684 (31 December 2011: TL 10,499) at cost not included.

There is no transition between Tier 1 and Tier 2 in the current year.

IX. Explanations Related to Transactions Carried out on Behalf of Other Parties and Fiduciary Assets

The Group performs trading transactions on behalf of customers, and gives custody, administration and consultancy services.

The Group does not deal with fiduciary transactions.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to the Consolidated Assets

1. a) Information on Cash and Balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	321,742	269,293	257,142	230,668
Balances with the Central Bank of Turkey	447,116	3,360,901	1,243,219	1,961,960
Other	-	50,348	-	325,268
Total	768,858	3,680,542	1,500,361	2,517,896

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	447,116	-	1,243,219	-
Unrestricted time deposit	-	30	-	373,429
Restricted time deposit	-	3,360,871	-	1,588,531
Total	447,116	3,360,901	1,243,219	1,961,960

TL30 (31 December 2011: TL 373,429) foreign currency unrestricted deposit, TL3,360,871 (31 December 2011: TL 1,588,531) foreign currency restricted deposit and TL447,116 (31 December 2011: TL 1,243,219) TL unrestricted deposit balance comprises of reserve deposits. As of 31 December 2012, the Turkish lira required reserve ratios are determined to be within the range of 5%-11% depending on the maturity structure of deposits denominated in Turkish lira (31 December 2011: 5%-11% for all Turkish lira liabilities), and the required reserve ratios for foreign currency deposits and other liabilities within the range of 6%- 11% (31 December 2011: 6%-11% for all foreign currency liabilities). According to the amendments dated 18 December 2012 and 22 January 2013, the Turkish Lira required reserve ratios are determined to be within the range of %5 and %11.25 depending on the maturity structure of deposits denominated in Turkish Lira , and the required reserve ratios for foreign currency deposits and other liabilities within the range of %6 and %12.

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 2011: TL 22,033).

a.2) Financial assets at fair value through profit and loss subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	-	-	276,889	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	-	-	276,889	-

Net book value of unrestricted financial assets at fair value through profit and loss is TL472,295 (31 December 2011: TL 655,455).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Information on financial assets at fair value through profit and loss (net): (Continued)

a.3) Positive differences related to derivative financial assets held-for-trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	19,485	14,316	25,636	6,771
Swap Transactions	55,499	36,797	120,062	21,360
Futures Transactions	-	-	-	-
Options	23,338	17,275	118,360	28,302
Other	-	-	-	1,923
Total	98,322	68,388	264,058	58,356

3. a) Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	412,557	31,807	99,208	70,050
Foreign	31,904	532,048	53,024	383,556
Branches and head office abroad	-	-	-	-
Total	444,461	563,855	152,232	453,606

b) Information on foreign banks :

	Current Period		Prior Period	
	TL	FC	TL	FC
EU Countries	377,070	215,518	-	-
USA and Canada	92,649	105,656	-	-
OECD Countries(*)	2,000	31,560	-	-
Off-Shore Banking Regions	91,420	71,591	-	-
Other	813	12,255	-	-
Total	563,952	436,580	-	-

(*) OECD countries other than the EU countries, USA and Canada

4. Information on financial assets available-for-sale:

a.1) Information on financial assets available-for-sale given as collateral or blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	307,854	-	581,644	162,371
Other	-	-	-	-
Total	307,854	-	581,644	162,371

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	42,596	-	826,098	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	42,596	-	826,098	-

Net book value of debt securities and share certificates in unrestricted financial assets available-for-sale is TL3,958,382 (31 December 2011: TL 3,127,832).

b) Information on financial assets available for sale portfolio:

	Current Period	Prior Period
Debt securities	4,284,229	4,672,932
Quoted on a stock exchange	4,284,229	4,672,932
Not quoted	-	-
Share certificates	24,603	25,013
Quoted on a stock exchange (*)	6,694	5,365
Not quoted	17,909	19,648
Impairment provision(-)	-	-
Total	4,308,832	4,697,945

(*) Includes TL1,172 (31 December 2011: TL1,076) of investment fund participation certificate.

All unquoted available for sale equities of the Group are recorded at fair value except for the investment of TL8,684 which is recorded at cost since its fair value cannot be reliably estimated (31 December 2011: TL 10,499).

5. Information on loans:

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	697	4	74,499	4
Corporate shareholders	245	-	74,132	-
Real person shareholders	452	4	367	4
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	50,797	-	43,989	-
Total	51,494	4	118,488	4

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information on loans: (Continued)

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring (*)		
	Loans and Other Receivables	Restructured or Rescheduled	Other	Loans and Other Receivables	Restructured or Rescheduled	Other
Non-specialized loans	29,194,147	422,164	-	1,047,673	64,207	-
Working Capital Loans	-	-	-	-	-	-
Export loans	4,109,052	16,259	-	21,332	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	927,884	-	-	-	-	-
Consumer loans(**)	7,310,537	303,468	-	325,143	12,131	-
Credit cards	1,715,095	-	-	123,687	-	-
Other	15,131,579	102,437	-	577,511	52,076	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	29,194,147	422,164	-	1,047,673	64,207	-

(*) 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.

(**) TL16,309 income accrual resulting from the fair value difference of the hedged item loans is included in the loan balance.

	Performing Loans and Other Receivables (*)	Loans and Other Receivables under Follow-up (*)
No. of extensions		
1 or 2 times	421,790	64,207
3,4 or 5 times	374	-
Over 5 times	-	-
Total	422,164	64,207

Extension Periods	Performing Loans and Other Receivables (*)	Loans and Other Receivables under Follow-up(*)
0-6 months	36,186	4,602
6-12 months	56,691	9,348
1-2 years	156,845	21,009
2-5 years	156,260	27,836
5 years and over	16,182	1,412
Total	422,164	64,207

(*) 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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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

c) Loans and other receivables according to their maturity structure:

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term loans and other receivables	15,011,595	19,999	447,923	10,390
Non-specialized loans	15,011,595	19,999	447,923	10,390
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and long-term loans and other receivables	14,182,552	402,165	599,750	53,817
Non-specialized loans	14,182,552	402,165	599,750	53,817
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Total	29,194,147	422,164	1,047,673	64,207

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

5. Information on loans: (Continued)

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

	Short Term	Medium and Long Term	Total
Consumer Loans-TL	164,048	7,355,345	7,519,393
Housing Loans	2,719	4,104,268	4,106,987
Vehicle Loans	11,797	669,683	681,480
General Purpose Loans	149,532	2,581,394	2,730,926
Other	-	-	-
Consumer Loans –Indexed to FC	-	126,073	126,073
Housing Loans	-	118,467	118,467
Vehicle Loans	-	614	614
General Purpose Loans	-	6,992	6,992
Other	-	-	-
Consumer Loans-FC (**)	8,597	22,132	30,729
Housing Loans	-	7,012	7,012
Vehicle Loans	-	11,860	11,860
General Purpose Loans	8,597	3,260	11,857
Other	-	-	-
Individual Credit Cards-TL	1,383,335	-	1,383,335
With Installments	618,176	-	618,176
Without Installments	765,159	-	765,159
Individual Credit Cards-FC	8,723	-	8,723
With Installments	739	-	739
Without Installments	7,984	-	7,984
Personnel Loans-TL	4,569	22,409	26,978
Housing Loans	-	126	126
Vehicle Loans	-	2	2
General Purpose Loans	4,569	22,281	26,850
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	21,508	-	21,508
With Installments	12,194	-	12,194
Without Installments	9,314	-	9,314
Personnel Credit Cards-FC	217	-	217
With Installments	-	-	-
Without Installments	217	-	217
Overdraft Accounts-TL(Real Persons) (*)	248,074	-	248,074
Overdraft Accounts-FC(Real Persons)	32	-	32
Total	1,839,103	7,525,959	9,365,062

(*) Overdraft accounts include personnel loans amounting to TL2,904

(**) Loans granted via branches abroad and TEB N.V.

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

5. Information on loans: (Continued)

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

	Short Term	Medium and Long Term	Total
Commercial loans with installment facility-TL	295,294	3,512,342	3,807,636
Business Loans	1,410	146,789	148,199
Vehicle Loans	22,296	744,323	766,619
General Purpose Loans	271,588	2,621,230	2,892,818
Other	-	-	-
Commercial loans with installment facility - Indexed to FC	29,349	422,738	452,087
Business Loans	-	21,238	21,238
Vehicle Loans	3,069	148,851	151,920
General Purpose Loans	26,280	252,649	278,929
Other	-	-	-
Commercial loans with installment facility –FC	37,989	-	37,989
Business Loans	-	-	-
Vehicle Loans	260	-	260
General Purpose Loans	37,729	-	37,729
Other	-	-	-
Corporate Credit Cards-TL	422,890	-	422,890
With Installments	173,282	-	173,282
Without Installments	249,608	-	249,608
Corporate Credit Cards-FC	2,109	-	2,109
With Installments	14	-	14
Without Installments	2,095	-	2,095
Overdraft Accounts-TL(Legal Entities)	426,174	-	426,174
Overdraft Accounts-FC(Legal Entities)	15,040	-	15,040
Total	1,228,845	3,935,080	5,163,925

f) Allocation of loans by customers:

	Current Period	Prior Period
Public sector	189,294	50,666
Private sector	30,538,897	26,698,219
Total	30,728,191	26,748,885

g) Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	30,003,673	25,854,535
Foreign Loans	724,518	894,350
Total	30,728,191	26,748,885

h) Loans granted to subsidiaries and associates:

Eliminated in consolidated financial statements.

i) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	15,599	9,910
Loans and receivables with doubtful collectability	49,918	24,806
Uncollectible loans and receivables	381,983	506,360
Total	447,500	541,076

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

5. Information on loans: (Continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectable loans and receivables
Current Period			
(Gross amount before specific provisions)			
Non-performing loans and receivables which are restructured	-	-	-
Non-performing loans and receivables which are rescheduled	8,647	3,811	5,307
Prior period			
(Gross amount before specific provisions)			
Non-performing loans and receivables which are restructured			
Non-performing loans and receivables which are rescheduled	7,599	4,022	10,943

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectable loans and receivables
Prior period end balance	64,106	69,345	622,227
Additions (+)	482,410	18,460	106,173
Transfers from other categories of non-performing loans (+)	-	327,250	202,431
Transfers to other categories of non-performing loans (-)	327,250	202,431	-
Collections (-)	123,787	86,943	122,920
Write-offs (-) (*)	51	356	313,767
Corporate and commercial loans	8	290	161,774
Retail loans	33	51	124,920
Credit cards	10	15	27,073
Other	-	-	-
Current period end balance	95,428	125,325	494,144
Specific provision (-)	15,599	49,918	381,983
Net Balances on Balance Sheet	79,829	75,407	112,161

(*) The part of the Parent Bank’s non-performing receivable portfolio amounting to TL 124,050 and to which a provision is set aside in the amount of TL 124,050 has been sold to Girişim Varlık Yönetimi A.Ş. for TL 16,878 and on 11 April 2012, following the fulfillment of the required procedures, the sale amount has been collected and has been removed from the non-performing receivable portfolio. Sales income has been netted off with “Provision for Loan Losses and Other Receivables” in the financials.

Amounting to TL188,710 past due receivable portfolio for which TL181,463 provision had been allocated, is sold to LBT Varlık Yönetimi A.Ş. for TL22,222, and after all the sales procedures were completed at 30 November 2012 with the completion of the necessary procedures, and the related non-performing loans have been written off from the accounts. Sales income has been netted off with “Provision for Loan Losses and Other Receivables” in the financials

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information on loans: (Continued)

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectable loans and receivables
31 December 2012 :			
Current period end balance	1,438	1,379	58,627
Specific provision (-)	145	372	42,659
Net Balance on Balance Sheet	1,293	1,007	15,968
31 December 2011 :			
Prior period end balance	1,775	1,218	59,201
Specific provision (-)	358	325	43,885
Net Balance on Balance Sheet	1,417	893	15,316

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectable loans and receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	95,428	125,325	494,144
Specific provision (-)	15,599	49,918	381,983
Loans to Real Persons and Legal Entities (Net)	79,829	75,407	112,161
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	64,106	69,345	617,258
Specific provision (-)	9,910	24,806	506,360
Loans to Real Persons and Legal Entities (Net)	54,196	44,539	110,898
Banks (Gross)	-	-	4,969
Specific provision (-)	-	-	-
Banks (Net)	-	-	4,969
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information on loans: (Continued)

k) Main principles of liquidating non-performing loans and receivables:

According to the “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published on Official Gazette No. 26333 dated 1 November 2006; loans and other receivables for which the collection is believed to be impossible are classified as nonperforming loans by complying with the requirements of the Tax Procedural Law in accordance with the decision of the upper management of the Bank.

l) Explanations on write-off policy:

Unrecoverable non-performing loans can be written off with the decision of the Board of Directors.

m) Other explanations and disclosures:

Current Period	Commercial	Consumer	Credit Cards	Other	Total
Neither past due nor impaired	20,110,717	7,616,269	1,591,411	88,238	29,406,635
Past due not impaired	739,175	335,010	247,371	-	1,321,556
Individually impaired	502,171	110,837	101,889	-	714,897
Total	21,352,063	8,062,116	1,940,671	88,238	31,443,088
Specific Provision	317,144	58,630	71,726	-	447,500
Total	317,144	58,630	71,726	-	447,500
Total allowance for impairment	21,034,919	8,003,486	1,868,945	88,238	30,995,588
Prior Period	Commercial	Consumer	Credit Cards	Other	Total
Neither past due nor impaired	18,208,166	6,009,007	1,212,389	52,905	25,482,467
Past due not impaired	628,523	476,613	161,282	-	1,266,418
Individually impaired	464,005	115,757	175,916	-	755,678
Total	19,300,694	6,601,377	1,549,587	52,905	27,504,563
Specific Provision	296,302	86,849	157,925	-	541,076
Total	296,302	86,849	157,925	-	541,076
Total allowance for impairment	19,004,392	6,514,528	1,391,662	52,905	26,963,487

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Based on classification, movement of allowance for loan losses and other receivables is presented as follows;

	Commercial	Consumer	Credit Cards	Total
1 January 2012	296,302	86,849	157,925	541,076
Change for the period	221,568	37,953	48,080	307,601
Recoveries	(60,966)	(16,067)	(17,347)	(94,380)
Amounts written-off (*)	(138,476)	(50,105)	(116,932)	(305,513)
Foreign Currency Differences	(1,284)	-	-	(1,284)
31 December 2012 Balance	317,144	58,630	71,726	447,500
	Commercial	Consumer	CreditCards	Total
1 January 2011	190,679	12,721	44,665	248,065
Change for the period (**)	204,418	77,102	131,620	413,140
Recoveries	(48,840)	(2,974)	(16,689)	(68,503)
Amounts written-off(***)	(52,816)	-	(1,671)	(54,487)
Foreign Currency Differences	2,861	-	-	2,861
31 December 2011 Balance	296,302	86,849	157,925	541,076

(*) TL 124,050 of the non-performing loans portfolio of the Bank with TL 124,050 provision has been sold to LBT Varlık Yönetim A.Ş. for TL 16,878 which has been collected as of 11 April 2012 with the completion of the necessary procedures, and the related non-performing loans have been written off from the records.

TL 181,710 of the non-performing loans portfolio of the Bank with TL 181,463 provision has been sold to LBT Varlık Yönetim A.Ş. for TL 22,222 which has been collected as of 30 November 2012 with the completion of the necessary procedures, and the related non-performing loans have been written off from the records

(**) Includes the provision amount of TL 285,101 transferred from Fortis Bank A.Ş.

(***) TL 55,484 of the non-performing loans portfolio of the Bank with TL 54,078 provision has been sold to LBT Varlık Yönetim A.Ş. for TL 4,250 which has been collected as of 12 January 2012 with the completion of the necessary procedures, and the related non-performing loans have been written off from the records.

The fair value of collaterals, capped with the respective outstanding loan balance, that the Bank holds relating to loans individually determined to be impaired at 31 December 2012 is TL 210,582 (31 December 2011: TL 202,442).

The fair value of collaterals, capped with the respective outstanding loan balance relating to loans individually determined to be impaired:

	Current Period	Prior Period
Mortgage	172,046	161,744
Vehicle	31,756	25,151
Cash	151	5,270
Other	6,629	10,277
Total	210,582	202,442

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

As of 31 December 2012 and 31 December 2011, detail of commodities and properties held for sale related to loan receivables of the Bank is as follows:

31 December 2012	Commercial	Consumer	Total
Residential, commercial or industrial property	52,628	8,587	61,215
Other	375	-	375
Total	53,003	8,587	61,590

31 December 2011	Commercial	Consumer	Total
Residential, commercial or industrial property	57,498	8,685	66,183
Other	866	-	866
Total	58,364	8,685	67,049

Aging analysis of past due but not impaired loans per classes of financial statements is as follows:

31 December 2012	Less than 30 Days	31-60 Days	61-90 Days	Total
Loans and Receivables				
Commercial Loans	424,859	181,511	132,805	739,175
Consumer Loans	72,792	180,147	82,071	335,010
Credit Cards	244,220	32	3,119	247,371
Total	741,871	361,690	217,995	1,321,556

31 December 2011	Less than 30 Days	31-60 Days	61-90 Days	Total
Loans and Receivables				
Commercial Loans	445,550	111,018	71,955	628,523
Consumer Loans	293,542	136,847	46,224	476,613
Credit Cards	150,805	1,973	8,504	161,282
Total	889,897	249,838	126,683	1,266,418

m) Other explanations and disclosures: (continued)

Of the total aggregate amount of gross past due but not yet impaired loans and advances to customers, the fair value of collaterals, capped with the respective outstanding total loan balance of the customer, that the Group held as at 31 December 2012 is TL849,145 (31 December 2011: TL914,752).

The fair value of collaterals, capped with the respective outstanding loan balance relating to those that are past due but not impaired:

	Current Period	Prior Period
Mortgage	613,921	659,862
Vehicle	126,438	118,348
Cash	12,788	23,438
Other	95,998	113,104
Total	849,145	914,752

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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	-	-	-	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

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	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

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

	Current Period	Prior Period
Government bonds	20,416	21,224
Treasury bills	-	-
Other public sector debt securities	-	-
Total	20,416	21,224

a.4) Information on held to maturity investments:

	Current Period	Prior Period
Debt securities		
Quoted on a stock exchange	20,416	21,224
Unquoted	-	-
Impairment provision(-)	-	-
Total	20,416	21,224

Book value of the unrestricted financial assets held-to maturity is TL20,416 (31 December 2011: 21,224).

b) Movement of investments held-to-maturity:

	Current Period	Prior Period
Beginning balance	21,224	235,019
Foreign currency differences on monetary assets	(808)	3,809
Purchases during the year(*,**)	-	149,187
Disposals through sales and redemptions (***)	-	(366,791)
Impairment provision (-)	-	-
Change in amortized cost income	-	-
Closing Balance	20,416	21,224

(*) Accruals are included in purchases during the year.

(**) Prior period includes assets amounting to TL138,203 transferred from Fortis Bank A.Ş.

(***) As a result of reviewing the risk management politics following the merger of the Parent Bank with Fortis Bank A.Ş., hold-to-maturity investments of TL261,199 were reclassified to available-for-sale security under the TAS 39.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to the Consolidated 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 2011: None).
- a.2) Information on the unconsolidated associates: None (31 December 2011: None).
- a.3) Information on the consolidated associates: None (31 December 2011: None).
- a.4) Valuation of consolidated associates: None (31 December 2011: None).
- a.5) Consolidated associates which are quoted on the stock exchange: None (31 December 2011: None).

8. Information on subsidiaries (Net):

- a) Information on shareholders’ equity of significant subsidiaries:
There is no necessity of capital that arises from subsidiaries included in parent bank’s consolidated capital adequacy standard ratio.
- 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 requirements: None. (31 December : None)
- c) Information on the unconsolidated subsidiaries: None (31 December 2011: None).
- d) Information on the consolidated subsidiaries:
d.1) Information on the consolidated subsidiaries:

Description	Address (City/ Country)	Group’s share	Other shareholders’
		percentage-If different voting percentage (%)	share percentage (%)
The Economy Bank N.V.(*)	Netherlands	100.00	-
TEB Faktoring A.Ş.	İstanbul/Turkey	100.00	-
TEB Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	96.62	3.38
TEB Portföy Yönetimi A.Ş.	İstanbul/Turkey	54.75	45.25

Information on the consolidated subsidiaries with the order as presented in the table above:

Total Assets	Shareholders’ Equity	Total Fixed Assets	Interest Income	Income from	Current Period Profit / Loss	Prior Period Profit / Loss (**)	Fair Value
				Marketable Securities Portfolio			
1,658,173	226,171	8,873	76,165	3,470	(11,558)	19,701	-
786,430	46,846	1,628	90,112	-	15,925	10,247	-
113,560	78,588	914	10,122	-	6,366	6,054	-
19,194	17,017	760	1,761	155	3,406	3,218	-

(*) Represents financial figures of foreign currency statutory financial statements translated at period end foreign exchange rates for balance sheet and twelve months’ average rates for profit and loss as of 31 December 2012. The Economy Bank NV has two consolidated subsidiaries named Stichting Effecten Dienstverlening and Kronenburg Vastgoed B.V.

(**) Financial Statement figures as of 31 Decemberr 2011

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

d.2) Information on consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	173,935	125,709
Movements during the period	(13)	48,226
Purchases	-	48,171
Bonus shares obtained	-	-
Share in current year income	-	-
Sales	-	-
Revaluation increase	-	-
Provision for impairment	(13)	55
Balance at the end of the period	173,922	173,935
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.	34,037	34,037
Other Financial Subsidiaries	/ TEB Yatırım Menkul Değerler A.Ş.	72,941	72,941
	TEB Portföy Yönetimi A.Ş.	5,354	5,354
	Stichting Effecten Dienstverlening (*)	294	305
	Kronenburg Vastgoed B.V. (*)	42	44
Total		173,922	173,935

(*) Fully consolidated to the Economy Bank NV.

The carrying amounts of the subsidiaries above have been eliminated in the consolidated financial statements.

d.4) Consolidated subsidiaries quoted on the stock exchange: None (31 December 2011: None).

9. Information on entities under common control (Joint Vent.):

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	11,082	7,625	535	34,249	(32,104)

b) Accounting method of the reasonable justification of unconsolidated in Join 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 2011: None).

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

11. Information on derivative financial assets for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	4,907	157	9,524	13
Cash flow hedge	11,819	-	13,263	-
Hedge of net investment in foreign operations	-	-	-	-
Total	16,726	157	22,787	13

12. Information on investment property:

	31 December 2011			31 December 2012		
	Balance	Additions	Disposals	Other	Balance	
Cost:						
Land and buildings	130,970	-	(13,641)	(361)	116,968	
Leased tangible assets	57,621	5	(2,316)	-	55,310	
Other	677,959	74,618	(23,169)	(130)	729,278	
Total Cost	866,550	74,623	(39,126)	(491)	901,556	
Accumulated Depreciation:						
Land and buildings	33,763	4,826	(4,555)	(61)	33,973	
Leased tangible assets	55,722	1,738	(2,306)	-	55,154	
Other	512,754	65,013	(21,498)	(113)	556,156	
Total Accumulated Depreciation	602,239	71,577	(28,359)	(174)	645,283	
Net Book Value	264,311				256,273	

- a) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.
- b) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.

13. Information on intangible assets:

	31 December 2011		Period		31 December	
	Balance	Charge	Disposals	Other	2012 Balance	
Cost:						
Other intangible assets	111,502	17,666	(11)	(116)	129,041	
Total Cost	111,502	17,666	(11)	(116)	129,041	
Accumulated Depreciation:						
Other intangible assets	91,369	12,744	(1)	(83)	(104,029)	
Total Accumulated Depreciation	91,369	12,744	(1)	(83)	(104,029)	
Net Book Value	20,133				25,012	

- a) Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.

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

13. Information on intangible assets: (Continued)

- b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.
- c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition : None.
- d) The book value of intangible fixed assets that are pledged or restricted for use: None.
- e) Amount of purchase commitments for intangible fixed assets: None
- f) Information on revalued intangible assets according to their types: None..
- g) Amount of total research and development expenses recorded in income statement within the period if any: None.
- h) Positive or negative consolidation goodwill on entity basis: With the loss of control of TEB Yatırım on TEB Portföy, the positive difference of TL 1,205 between the acquisition cost and share in the equity of acquired subsidiaries has been derecognized in the accompanying consolidated financial statements as of 31 December 2011.
- i) Begining and ending balance of the goodwill and movements on goodwill in the current period:

	Current Period	Prior Period
Gross value at the beginning of the period	421,124	1,685
Accumulated depreciation (-)	-	480
Impairment provision (-)	-	-
Movements within the period:		
Additional goodwill	-	421,124
Corrections arising from the changes in value of assets and liabilities	-	-
Goodwill written off due to discontinued operations in current period or complete /partial sale of an asset	-	1,205
Amortization (-)	-	-
Impairment provision (-)	-	-
İptal Edilen Değer Düşüş Karşılığı (-)	-	-
Reversal of impairment provision (-)	-	-
Gross value at the end of the period	421,124	421,124
Accumulated depreciation (-)	-	-
Impairment provision (-)	-	-
Net book value at the end of the period	421,124	421,124

Following announcement of the Banking Regulation and Supervision Agency approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, merger of two banks by means of transfer of all rights, receivables, liabilities and obligations to the Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to İstanbul Trade Registry. Registered shares to be issued were distributed to the shareholders of Fortis Bank A.Ş., which was dissolved due to the merger, in exchange of their current shares. Fortis Bank A.Ş. shareholders received 1.0518 registered Türk Ekonomi Bankası A.Ş. shares for each Fortis Bank A.Ş. share having a nominal value of TL 1. The related transaction has been accounted for in accordance with the requirements of TFRS 3 “Business Combination”, since the merging banks were not under common control of the same parties before and after the merger. In this merger transaction,

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

13. Information on intangible assets: (Continued)

Fortis Bank A.Ş. was determined as the acquiree, and with the merger, the fair value of the equity shares exchanged as of 14 February 2011 was considered as the fair value of consideration transferred, and the difference between this value and the fair value of identifiable net asset value of Fortis Bank A.Ş. is accounted as goodwill.

Main principles related with the merger transaction are summarized as follows:

- All prior period tables are set as declared publicly by the Parent Bank as of 31 December 2012, and effects of merger are not reflected in prior period’s financials.
- Identifiable assets and liabilities of Fortis Bank A.Ş. were measured at fair value as of 14 February 2011. The difference between the fair value of the identifiable net assets and the fair value of equity shares exchanged is accounted as goodwill.
- Fair value of the equity shares exchanged as of the merger date is based on an independent appraisal report in which “discounted dividend” method was used..
- The difference resulting from the transactions described above is accounted under “Other Capital Reserves”..
- The net profit and net interest income of the acquiree Fortis Bank A.Ş. was realized as TL 64 and TL 90,147, respectively, for the period 1 January 2011- 14 February 2011 before the merger. The stated amounts were accounted under retained earnings in the accompanying financial statements. If the merger had been completed as of 1 January 2011, the net profit and net interest income of the merged Bank would have been realized as TL 226,085 and TL 1,545,312 respectively.

Information related to the calculation of the goodwill related to the merger is as follows:

	14 February 2011
Fair value of equity shares exchanged	2,385,482
Fair value of the identifiable net assets of Fortis Bank A.Ş.	1,964,358
Goodwill	421,124

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

	14 February 2011 Fair Value (*)
Cash and balances with Central Bank and money market placements	2,133,269
Marketable Securities	1,438,043
Loans and receivables	8,062,707
Tangible and intangible assets	170,696
Deferred tax asset	56,650
Other receivables and other assets	325,384
Deposits	(6,195,402)
Funds borrowed and money market balances	(2,990,035)
Other liabilities	(1,036,954)
Net assets Acquired	1,964,358

(*) Fair value differences arise mainly from loans and receivables, marketable securities, fixed assets and funds borrowed.

14. Information on investment property: None (31 December 2011: None).

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

15. Information on held deferred tax:

- a) As of 31 December 2012, deferred tax asset computed on the temporary differences and reflected to the balance sheet is TL 131,878 (31 December 2011: TL 73,575). There are no tax exemptions or deductions over which deferred tax asset is computed.
- b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.
- c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.
- d) Movement of deferred tax:

	Current Period	Prior Period
At January 1	73,575	17,633
Effect of change in foreign Exchange rates	(107)	41
Other	-	56,572
Deferred tax benefit / (charge)	85,209	(45,942)
Deferred tax accounted for under equity	(26,799)	45,271
Deferred Tax Asset	131,878	73,575

(*) Deferred tax asset transferred from Fortis Bank A.Ş. is presented in “Other” column..

16. Information on held for sale fixed assets and discontinued operations:

	Current Period	Previous Period
Beginning of Period Cost	69,037	34,352
Beginning of Period Accumulated Depreciation	1,988	370
Net Book Value	67,049	33,982
Opening Balance	67,049	33,982
Acquired	34,686	58,820
Disposed(-), net	36,611	23,863
Impairment (-)	1,858	743
Depreciation Value (-)	1,676	1,147
End of Period Cost	64,091	69,037
End of Period Accumulated Depreciation (-)	2,501	1,988
Closing Net Book Value	61,590	67,049

17. Information on other assets:

Other Assets item of the balance sheet amounting to TL 1,066,082 (31 December 2011: TL 658,762) does not exceed 10% of the total amount of balance sheet except for off-balance sheet commitments.

18. Information on factoring receivables of Group:

- a) Maturity Analysis:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short term (*)	526,371	234,368	527,848	304,498
Medium and Long Term	-	-	-	-
Specific provisions	(5,272)	(700)	(10,922)	(2,413)
Total	521,099	233,668	516,926	302,085

(*) Amounting to TL10,502 (31 December 2011: TL14,499) impaired factoring receivable included.

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

18. Information on factoring receivables of Group: (Continued)

b) Other explanations and disclosures:

Current Period	Commercial	Consumer	Total
Neither past due nor impaired	739,883	-	739,883
Past due not impaired	10,354	-	10,354
Individually impaired	10,502	-	10,502
Total	760,739	-	760,739
Specific Provision	5,972	-	5,972
Total allowance for impairment	5,972	-	5,972
Net credit balance on balance sheet	754,767	-	754,767
Prior Period	Commercial	Consumer	Total
Neither past due nor impaired	813,999	-	813,999
Past due not impaired	3,848	-	3,848
Individually impaired	14,499	-	14,499
Total	832,346	-	832,346
Specific Provision	13,335	-	13,335
Total allowance for impairment	13,335	-	13,335
Net credit balance on balance sheet	819,011	-	819,011

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Disclosures Related to the Consolidated Liabilities

1. a) Information on maturity structure of deposits:

a.1) Current period:

	Demand	7 Day Call Accounts	Up to 1 month	1-3 Month	3-6 Month	6 Month- 1 Year	1 Year and Over	Accumulated Deposits	Total
Saving deposits	569,741	-	2,520,561	5,484,070	2,065,011	210,296	29,899	-	10,879,578
Foreign currency deposits	1,941,495	-	841,018	4,414,748	264,333	247,424	267,688	-	7,976,706
Residents in Turkey	1,407,939	-	744,582	4,036,397	234,059	73,731	116,449	-	6,613,157
Residents abroad	533,556	-	96,436	378,351	30,274	173,693	151,239	-	1,363,549
Public sector deposits	204,251	-	12,498	231,118	1,983	1,465	-	-	451,315
Commercial deposits	1,449,495	-	1,168,446	3,377,450	1,018,154	122,997	17,268	-	7,153,810
Other institutions deposits	30,226	-	32,306	871,266	805,831	29,076	23	-	1,768,728
Precious metals deposits	427,348	-	19,982	286,271	30,751	33,659	-	-	798,011
Interbank deposits	193,156	-	601,146	77,428	20,205	-	39,851	-	931,786
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	68	-	170,028	24,407	-	-	4,229	-	198,732
Foreign Banks	29,753	-	431,118	53,021	20,205	-	35,622	-	569,719
Special finance houses	163,335	-	-	-	-	-	-	-	163,335
Other	-	-	-	-	-	-	-	-	-
Total	4,815,712	-	5,195,957	14,742,351	4,206,268	644,917	354,729	-	29,959,934

a.2) Prior period:

	Demand	7 Day Call Accounts	Up to 1 month	1-3 Month	3-6 Month	6 Month- 1 Year	1 Year and Over	Accumulated Deposits	Total
Saving deposits	687,865	-	608,764	5,631,960	169,620	63,647	46,739	-	7,208,595
Foreign currency deposits	1,678,420	-	1,916,654	4,117,873	201,242	155,029	168,835	-	8,238,053
Residents in Turkey	1,200,127	-	1,819,144	3,925,419	143,071	57,988	14,189	-	7,159,938
Residents abroad	478,293	-	97,510	192,454	58,171	97,041	154,646	-	1,078,115
Public sector deposits	58,356	-	13,547	545,826	113	-	97	-	617,939
Commercial deposits	1,400,432	-	1,306,045	2,277,630	92,915	45,684	1,725	-	5,124,431
Other institutions deposits	22,167	-	91,553	954,176	1,719	45,545	529	-	1,115,689
Precious metals deposits	438,959	-	90,677	97,962	22,062	10,656	-	-	660,316
Interbank deposits	192,716	-	922,495	9,293	3,783	2,068	2,072	-	1,132,427
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	79	-	224,438	-	-	-	2,068	-	226,585
Foreign Banks	43,728	-	698,057	9,293	3,783	2,068	4	-	756,933
Special finance houses	148,909	-	-	-	-	-	-	-	148,909
Other	-	-	-	-	-	-	-	-	-
Total	4,478,915	-	4,949,735	13,634,720	491,454	322,629	219,997	-	24,097,450

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	3,757,130	2,651,608	6,951,578	4,438,751
Foreign currency saving deposits	689,586	610,562	3,208,096	2,442,750
Other deposits in the form of saving deposits	206,322	243,165	522,832	356,186
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
Total	4,653,038	3,505,335	10,682,506	7,237,687

(*) 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 Consolidated Liabilities (Continued)

i) Deposit of real persons not under the guarantee of saving deposit insurance:

	Current Period	Prior Period
Deposits and accounts in branches abroad	145,967	130,879
Deposits of ultimate shareholders and their close families	229,879	163,139
Deposits of chairman and members of the Board of Directors and their close families	23,176	15,913
Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off shore banking activities	-	-

2. Information on derivative financial liabilities:

a) Negative differences table related to derivative financial liabilities held-for-trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	11,810	26,428	10,756	14,377
Swap Transactions	116,405	13,666	84,742	73,906
Futures Transactions	-	-	-	-
Options	48,198	18,308	62,210	27,808
Other	-	-	-	-
Total	176,413	58,402	157,708	116,091

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	206,584	197,910	189,876	147,259
From Foreign Banks, Institutions and Funds	495,826	5,109,695	2,663,532	4,449,087
Total	702,410	5,307,605	2,853,408	4,596,346

As of 31 December 2012 the Group has borrowings from its related parties amounting to TL3,091,034 (31 December 2011: TL 5,522,376).

b) Maturity analysis of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	525,586	4,435,376	2,282,682	2,772,553
Medium and long-term	176,824	872,229	570,726	1,823,793
Total	702,410	5,307,605	2,853,408	4,596,346

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

3. Maturity analysis of borrowings: (Continued)

c) Additional explanation related to the concentrations of the Parent Bank’s major liabilities:

The Parent Bank diversifies its funding sources through customer deposit and borrowings from abroad. As of 31 December 2012 foreign borrowings of the Bank includes syndication loan obtained with the agreement dated 24 August 2012 and 23 August 2013 maturity amounting to EUR 250,000,000 and USD 122,000,000.

The Parent Bank makes analysis of its customers that provide the maximum amount of funds within the branches and throughout the Bank, in consideration of profitability. Bank takes short and long term preventive measures to spread its customers on a wider spectrum on the basis of customer concentration in the branches.

d) Explanations on marketable securities issued :

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	40,916	-	1,104,748	-
Financial institutions and organizations	40,916	-	1,102,228	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	2,520	-
From foreign transactions	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
Total	40,916	-	1,104,748	-

e) Explanations on debt securities issued :

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	333,689	-	249,107	-
Treasury Bills	160,548	-	-	-
Total	494,237	-	249,107	-

The bonds issued in 2011 with notional value of TL 300,000, maturity of 178 days, issue date of 19 July 2011, simple interest rate of 8.72877%, annual compounding rate of 8.92408% started trading in IMKB Quote Administration on 21 July 2011 with ISIN code of ‘TRQTEBK11215’ and matured on 13 January 2012.

The Parent Bank issued bonds on 2 May 2012 with a nominal value of TL 150,000, with a term of 378 days, with due date of 15 May 2013, with an interest rate of 10.47127% and with an annual compound rate of 10.45244% has started to be publicly traded in bonds and bills markets under the ISIN code “TRSTEBK51316”.

The bond issued by the Parent Bank on 20 July 2012 with a nominal value of TL384,586, maturity of 175 days, with due date of 14 January 2013, with an interest rate of 8.83824% and with an annual compound rate of 9.04179% has started to be publicly traded in bonds and bills markets with the ISIN code “TRQTEBK11314”.

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

3. Maturity analysis of borrowings: (Continued)

The bond issued by the Parent Bank on 24 September 2012 with a nominal value of TL109,132, maturity of 351 days, with due date of 11 September 2013, with an interest rate of 8.08557% and with an annual compound rate of 8.09781% has started to be publicly traded in bonds and bills markets with the ISIN code “TRQTEBK91316”.

Bond issued by the Parent Bank on 5 December 2012 with a nominal value of TL100,000, maturity of 365 days, with due date of 4 December 2013, with an interest rate of 6.89500% and with an annual compound rate of 6.89500% has started to be publicly traded in bonds and bill market with the ISIN code “TRSTEBKA1319”

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 2011: None).

5. Explanations on financial lease obligations (Net):

a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the group:

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the Tax Procedural Law.

b) The explanation on modifications in agreements and new obligations resulting from such modifications: None.

c) Explanation on finance lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	-	-	9	8
Between 1-4 Years	-	-	-	-
More than 4 Years	-	-	-	-
Total	-	-	9	8

d) Explanations regarding operational leases:

For the period ended 31 December 2012, operational lease expenses amounting to TL143,115 (31 December 2011: TL 139,567) have been recorded in the profit and loss accounts. The lease periods vary between 1 and 10 years and lease agreements are cancelable subject to a certain period of notice.

e) Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None.

6. Information on derivative financial liabilities for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	47,695	1	23,398	-
Cash flow hedge	120,811	-	27,049	-
Hedge of net investment in foreign operations	-	-	-	-
Total	168,506	1	50,447	-

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

7. Information on provisions:

a) Information on general provisions:

	Current Period	Prior Period
General Provisions		
Provisions for First Group Loans and Receivables	329,377	226,292
- Additional Provision for Loans and Receivables with Extended Maturities	22,203	-
Provisions for Second Group Loans and Receivables	26,553	22,287
- Additional Provision for Loans and Receivables with Extended Maturities	1,926	-
Provisions for Non-Cash Loans	30,108	18,269
Other	9,269	6,561
Total	419,436	273,409

b) Foreign exchange losses on the foreign currency indexed loans amounting to TL91,324 (31 December 2011: TL 42,495) is offset from the loans on the balance sheet.

c) The specific provisions provided for unindemnified non cash loans amount to TL 22,512 (31 December 2011: TL 32,652).

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

As of 31 December 2012 TL 28,114 (31 December 2011: TL 28,144) unused vacation provision, TL93,125 (31 December 2011: TL 60,277) employee termination benefit provision and TL 66,630 (31 December 2011: TL 38,882) bonus for the employee are presented under “Reserve for Employee Benefit” in financial statements.

d.1) Movement of employee termination benefits

	Current Period	Prior Period
As of January 1	60,277	25,122
Increase due to merger	-	24,450
Service cost	8,594	7,064
Interest cost	5,590	4,471
Settlement cost	6,164	(534)
Actuarial loss	24,466	15,673
Benefits paid	(11,966)	(15,969)
Total	93,125	60,277

(i) Retirement Benefits:

The employees who have joined the Bank as a consequence of the merger of TEB and Fortis Bank are members of the “Pension Fund Foundation” established in accordance with the Social Security Law No.506, Article No.20.

The liabilities described in the Retirement Fund Section 3 No. XV “Explanations on Liabilities related to Rights of Employees” which may arise during the transfer have been calculated by the actuary based on the principles of the related regulation, whereas the liabilities in connection with other social rights and benefits which will not be undertaken by the SSI after the transfer have been calculated by the actuary based on IAS 19 principles. The Parent Bank 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 31 December 2012 and 31 December 2011. Since the Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

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

Based on the determined assumptions,

	31 December 2012	31 December 2011
Transferrable Retirement and Health Liabilities:		
Net Present Value of Transferrable Retirement Liabilities	(823,577)	(763,025)
Net Present Value of Transferrable Retirement and Health Contributions	534,823	635,342
General Administration Expenses	(8,235)	(7,630)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(296,989)	(135,313)
Fair Value of Plan Assets (2)	1,179,000	1,056,160
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	882,011	920,847
Non-Transferable Benefits (4)	(183,383)	(172,455)
Asset Surplus over Total Benefits ((3)-(4))	698,628	748,392

Distribution of total assets of the Retirement Fund as of 31 December 2012 and 31 December 2011 is presented below:

	31 December 2012	31 December 2011
Bank placements	1,060,309	901,672
Government Bonds and Treasury Bill, Fund and Accrual Interest Income	43,563	79,084
Tangible assets	66,840	60,692
Other	8,288	14,712
Total	1,179,000	1,056,160

Actuarial assumptions used in valuation of liabilities except for transferrable liabilities based on IAS 19 are as follows:

	31 December 2012	31 December 2011
Discount Rate	7.00%	9.15%
Expected Inflation Rate	4.61%	5.00%

Medical inflation is expected more than 40% for two periods. In order to represent the expected mortality rates before and after the retirement, CSO 2001 (31 December 2011: CSO 1980) Female/Male mortality table is used.

e) Information on other provisions:

e.1) Provisions for possible losses: None (31 December 2011: None).

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

	Current Period	Prior Period
Provision for legal cases	45,612	43,577
Provision for unindemnified non-cash loans	22,512	32,652
Provision for promotions of credit cards and banking services	12,093	11,926
Other	13,873	15,578
Total	94,090	103,733

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Explanations on taxes payable:

a) Information on taxes payable:

	Current Period	Prior Period
Provision for Corporate Taxes	64,741	27,309
Taxation on Securities	23,567	21,264
Property Tax	1,637	1,658
Banking Insurance Transaction Tax (BITT)	25,543	23,736
Foreign Exchange Transaction Tax	10	14
Value Added Tax Payable	3,442	1,734
Other (*)	14,147	15,086
Total	133,087	90,801

(*) Others include income taxes deducted from wages amounting to TL11,232 (31 December 2011: TL 12,789) and stamp taxes payable amounting to TL1,033 (31 December 2011: TL 1,019).

b) Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	3,656	6,278
Social Security Premiums-Employer	4,049	7,203
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	362	665
Unemployment Insurance-Employer	508	894
Other	-	7
Total	8,575	15,047

c) Explanations on deferred tax liabilities, if any: None (31 December 2011: None).

9. Information on liabilities regarding assets held for sale and discontinued operations:

None (31 December 2011: None).

10. Explanations on the number of subordinated loans the Parent Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

The Parent Bank has signed an agreement with the International Finance Corporation (IFC) on 27 June 2005, for a subordinated loan. The facility is a USD 50 million subordinated loan, with a maturity of 15 July 2015 and with an interest rate of LIBOR+3.18%.

The Parent Bank has obtained a primary subordinated loan by issuing a bond amounting to USD 100 million as of 31 July 2007. The investor of the bond is IFC. The maturity of the borrowing is indefinite with semi-annually interest payment. The interest rate is defined as LIBOR+3.5% until

31 July 2017. In case the borrowed amount is not repaid at that date, the interest rate will be revised as LIBOR + 5.25%. Notes are issued as perpetual

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The Parent Bank has obtained secondary subordinated loans by issuing a bond amounting to EUR 75 million as of 4 November 2011 and a bond amounting to EUR 100 million as of 21 December 2011. The bond issue on 21 December 2011 amounting to EUR 100 million is added up with the first issue of EUR 75 million and together will be followed as EUR 175 million. Since the coupon rate of the issue amounting to EUR 100 million is semi-annual Euribor + 5.25% and two issues stated above will be merged and the merged issue will carry the coupon rate of the first issue (Euribor + 4.75% on an annual basis), the price of EUR 100 million issue has been determined as 96.026% (the price determined as the 12 month interest difference between two issues discounted by new issues semi-annual coupon rate of Euribor + 5.25%). As interest payment periods of the new issue will be same with the first one, 47-day interest accrual amounting to EUR 852,537.78 related to the period between 4 November 2011 and 21 December 2011 was paid to the Bank by the investor purchasing the second issue. On 21 December 2011, total net amount of EUR 96,878,527.78 is transferred to the bank accounts

The Parent Bank, during its Board of Directors’ meeting dated 8 May 2012 has resolved to issue a debt instrument as Secondary Subordinated debt instrument with a value of USD 65 million on 14 May 2012. The semi annually interest rate of the issuance is determined as USD Libor + %5.75. The due date of the debt instrument is determined as 14 May 2024 and for the first seven years there is no option to repay before its due date. The debt instrument can be amortized on 14 May 2019 with the decision of the Board of Directors and upon the approval of Banking Regulation and Supervision Agency (BRSA).

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

The above mentioned five subordinated loans are utilized in-line with the “loan capital” definition of BRSA) and will positively effect the capital adequacy ratio of the Parent Bank as well as utilizing long term fundings.

a) Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	-	-	-
From Other Foreign Institutions	-	1,037,480	-	712,346
Total	-	1,037,480	-	712,346

11. Information on Shareholders’ Equity:

a) Presentation of Paid-in capital:

	Current Period	Prior Period
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:

Capital System	Paid-in capital	Ceiling
Registered Capital System	2,204,390	-

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

9. Information on Shareholders’ Equity: (Continued)

- 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 Parent Bank’s income, profitability and liquidity for the previous periods and possible effects of these future assumptions due to the uncertainty of these indicators on the Parent Bank’s equity:

Prior year income, profitability and liquidity of the Parent Bank is closely monitored and reported to Board of Directors, Asset and Liability Committee, and Risk Management by the Budget and Financial Control Group. This group tries to forecast the effects of interest, currency and maturity fluctuations that change these indicators with static and dynamic scenario analysis. Net asset value, which is defined as the difference of fair values of assets and liabilities, is measured. Expectations are made for the Parent Bank’s future interest income via simulations of net interest income and scenario analysis.

- g) Information on preferred shares:

7% of the Parent Bank’s remaining net income after tax subsequent to deducting legal reserves and first dividends, corresponding to the Parent Bank’s 0,06 shares of TL 30 (in full TL) is distributed to the founder shares.

- h) Information on marketable securities valuation differences:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference	50,780	4,959	(94,021)	(11,466)
Foreign Exchange Difference	-	-	-	-
Total	50,780	4,959	(94,021)	(11,466)

- 12. Information on minority shares:** As of 31 December 2012, part of the group equity that belongs to minority shares is TL7,702 (31 December 2011: 13,019 TL).

- 13. Information on factoring liabilities :** As of 31 December 2012 group has factoring debt of TL3,988 (31 December 2011: 6,510 TL).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Contingencies and Commitments

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Loan granting commitments	2,942,424	2,284,218
Commitments for credit card expenditure limits	2,933,697	2,661,586
Payment commitment for checks	1,879,298	1,455,318
Forward asset purchase commitments	1,309,306	1,619,012
Forward deposit purchase commitments	614,094	-
Tax and fund liabilities from export commitments	11,709	10,380
Commitments for promotions related with credit cards and banking activities	5,978	7,608
Share capital commitment to associates and subsidiaries	-	4,000
Other irrevocable commitments	218,367	166,498
Total	9,914,873	8,208,620

b) Possible losses and commitments related to off-balance sheet items including items listed below:

The Group, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit.

b.1) Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits:

	Current Period	Prior Period
Letters of Credit	1,532,317	1,578,340
Bank Acceptances	1,032,189	756,605
Other Commitments	903,219	342,297
Other Contingencies	292,651	85,162
Total	3,760,376	2,762,404

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

	Current Period	Prior Period
Guarantee Letters	4,519,954	3,995,191
Advance Guarantee Letters	921,924	608,580
Temporary Guarantee Letters	462,831	492,886
Guarantee Letters Given for Customs	317,546	249,834
Other Guarantee Letters	507,807	262,998
Total	6,730,062	5,609,489

c) c.1) Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against achieving cash loans	888,176	518,478
With maturity of 1 year or less than 1 year	210,995	117,292
With maturity of more than 1 year	677,181	401,186
Other non-cash loans	9,602,262	7,853,415
Total	10,490,438	8,371,893

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III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Contingencies and Commitments (Continued)

c.2) Information on sectoral risk breakdown of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	57,744	1.43	114,344	1.77	56,900	1.65	91,526	1.86
Farming and raising livestock	43,248	1.07	112,166	1.74	43,627	1.26	78,987	1.60
Forestry, Wood and Paper	13,531	0.34	2,081	0.03	12,644	0.37	12,199	0.25
Fishery	965	0.02	97	0.00	629	0.02	340	0.01
Manufacturing	1,897,967	47.06	3,752,317	58.11	1,619,045	47.01	2,926,881	59.39
Mining and Quarry	122,124	3.03	199,839	3.09	101,475	2.95	74,724	1.52
Production	1,696,182	42.06	3,517,196	54.47	1,463,029	42.48	2,758,436	55.97
Electricity, Gas and Water	79,661	1.98	35,282	0.55	54,541	1.58	93,721	1.90
Construction	969,447	24.04	1,217,275	18.85	848,015	24.63	561,925	11.40
Services	1,027,873	25.49	593,861	9.20	837,762	24.33	501,571	10.18
Wholesale and Retail Trade	460,398	11.42	89,222	1.38	378,271	10.99	58,230	1.18
Hotel, Tourism, Food and Beverage Services	37,753	0.94	23,750	0.37	34,211	0.99	18,006	0.37
Transportation and Communication	217,069	5.38	258,353	4.00	181,676	5.28	174,204	3.53
Financial Institutions	85,997	2.13	97,004	1.50	49,960	1.45	138,117	2.80
Real Estate and Renting	91,587	2.27	64,885	1.00	73,056	2.12	48,736	0.99
Self-employment Services	71,903	1.78	31,128	0.48	59,110	1.72	35,935	0.73
Education Services	2,863	0.07	1,361	0.02	2,134	0.06	873	0.02
Health and Social Services	60,303	1.50	28,158	0.44	59,344	1.72	27,470	0.56
Other	79,765	1.98	779,845	12.08	81,993	2.38	846,275	17.17
Total	4,032,796	100.00	6,457,642	100.00	3,443,715	100.00	4,928,178	100.00

c.3) Information on I st and II nd Group non-cash loans:

Non-cash loans	I st Group		II st Group	
	TL	FC	TL	FC
Letters of guarantee	3,355,885	3,283,115	55,093	35,969
Bank acceptances	-	903,219	-	-
Letters of credit	4,666	1,525,671	-	1,980
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	613,756	707,613	3,396	75
Total	3,974,307	6,419,618	58,489	38,024

The Group provided a reserve of TL 46,581 (31 December 2011: TL 44,019) for non-cash loans not indemnified yet amounting to TL 22,512 (31 December 2010: TL 32,652) and reflected that in financial statements.

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III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Contingencies and Commitments (Continued)

2. Information related to derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Hedging	
	Current Period	Prior Period	Current Period	Prior Period
Types of trading transactions				
Foreign currency related derivative transactions (I):	35,362,024	29,917,101	-	-
Forward transactions	6,285,148	4,647,307	-	-
Swap transactions	12,261,959	10,657,413	-	-
Futures transactions	-	-	-	-
Option transactions	16,814,917	14,612,381	-	-
Interest related derivative transactions (II):	2,635,988	2,018,664	-	-
Forward rate transactions	-	-	-	-
Interest rate swap transactions	2,325,340	1,619,550	-	-
Interest option transactions	310,648	399,114	-	-
Futures interest transactions	-	-	-	-
Marketable securities call-put options (III)	-	-	-	-
Other trading derivative transactions (IV)	-	-	-	-
A. Total trading derivative transactions (I+II+III+IV)	37,998,012	31,935,765	-	-
Types of hedging transactions				
Fair value hedges	-	-	1,441,536	161,558
Cash flow hedges	-	-	3,153,677	1,918,710
Net investment hedges	-	-	-	-
B. Total hedging related derivatives	-	-	4,595,213	2,080,268
Total Derivative Transactions (A+B)	37,998,012	31,935,765	4,595,213	2,080,268

Related to agreements of forward transactions and options; the information based on the type of forward and options transactions are disclosed separately, specified with related amounts, type of agreement, purpose of transaction, nature of risk, strategy of risk management, hedging relationship, possible effects on the Bank’s financial position, timing of cash flows, reasons of unrealized transactions which previously projected to be realized, income and expenses that could not be linked to income statement in the current period because of the agreements:

Forward foreign exchange and swap transactions are based on protection from interest and currency fluctuations. According to TAS, they do not qualify as hedging instruments and are remeasured at fair value by the Parent Bank.

i) Derivative instruments for fair value hedging purposes:

As of 1 July 2008, the Parent Bank has started to apply fair value hedge accounting in order to avoid the effects of interest rate fluctuations in the market by matching its swap portfolio with its loan portfolio. As of 31 December 2012, nominal value of derivative instruments for hedging purposes is TL 1,441,536 (31 December 2011: TL 161,558) and net fair value is TL 32,389 liability (31 December 2011: TL 13,861) while fair value of the hedged item loans is TL 16,309 (31 December 2011: TL 11,554). The Bank accounts TL 22,865 (31 December 2011: TL 18,797 income) expense for derivative instruments for hedging purposes and TL 4,755 (31 December 2011: TL 22,094 expense) income from hedged item loans in the financial statements. There is no fair value hedge ceased in 2012.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Contingencies and Commitments (Continued)

	Current Period			Prior Period		
	Nominal	Fair Value		Nominal	Fair Value	
		Asset	Liability		Asset	Liability
Interest Rate Swaps	-	-	-	60,000	1,526	4,281
Cross Currency Swaps	1,441,536	5,064	47,696	101,558	8,011	19,117
	1,441,536	5,064	47,696	161,558	9,537	23,398

ii) Derivative instruments for cash flow hedge purposes:

The Bank has adopted cash flow hedge accounting by matching its swap portfolio having total buy-sell nominal amounting to TL 2,083,677 since 2011, and TL 1.100.000 since 2012 with the deposit portfolio having maturity of 28-32 days. Effective portion of TL 62,082 accounted for under equity is presented after deduction of its deferred tax effect of TL 12,416 in the financial statements. In 2011, the ineffective portion of TL 3,455 is accounted as expense in the income statement. There is no cash flow hedge ceased in 2012.

	Current Period			Prior Period		
	Nominal	Fair Value		Nominal	Fair Value	
		Asset	Liability		Asset	Liability
Interest Rate Swaps	3,153,677	11,819	120,811	1,918,710	13,263	27,049

3. Explanations on contingent liabilities and assets:

a.1) The Group's share in contingent liabilities arising from entities under common control (joint ventures) together with other venturer: None.

a.2) Share of entity under common control (joint ventures) in its own contingent liabilities: None.

a.3) The Group's contingent liabilities resulting from liabilities of other venturers in entities under common control (joint ventures): None.

b) Accounting and presentation of contingent assets and liabilities in the financial statements:

b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes: As of 31 December 2012, there are no contingent assets that need to be explained (31 December 2011: None).

b.2) A provision is made for contingent liabilities, if realization is probable and the amount can be reliably determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes:

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

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III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Contingencies and Commitments (Continued)

On the other hand, the Tax Office has not taken into consideration the deduction amount of TL 144,824 which is included in the 2003/4 temporary tax declaration based on the resolution of the Tax Supreme Court, and recalculated a temporary corporate tax liability of TL 15,510 and levied a fine of TL 16,131 to the Bank based on the declaration as of 20 April 2004. In that respect, the Bank has filed a counter case against the Tax Office, and 1st Tax Office decided in favor of the Bank with resolution no: K:2006/974 based on its decision related with 2002/I period explained above .

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

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

4. Custodian and intermediary services:

The Group provides trading and safe keeping services in the name and account of third parties, which are presented in the consolidated statement of contingencies and commitments.

Investment fund participation certificates held in custody which belong to the customers and the portfolio are accounted for with their nominal values. As of 31 December 2012 the total nominal value and number of certificates are TL 2,673,746 and 267,368,509 thousand (31 December 2011: TL 2,065,222 and 206,509,465 thousand) and the total fair value is TL 9,924,214 (31 December 2011: TL 8,620,803).

5. The information on the Bank’s rating by the international rating introductions (*):

The results of the ratings performed by Moody’s Investor Services and Fitch Ratings are shown below:

Moody’s Investor Services: July 2012

View	Negative
Bank Financial Strength	D+
Foreign Currency Deposits	Ba2/NP

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III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Contingencies and Commitments (Continued)

**5. The information on the Bank’s rating by the international rating introductions (*):
(Devamı)**

Fitch Ratings: November 2012

Foreign Currency Commitments	
Long term	BBB
Short term	F3
View	Stable
Turkish Lira Commitments	
Long term	BBB+
Short term	F2
View	Stable
National	AAA (tur)
View	Stable
Individual Rating	bb+
Support Points	2

(*) Ratings above are not performed based on the “Communiqué for Authorization and Activities of Rating Institutions” published by the Capital Markets Board.

IV. Explanations and Disclosures Related to the Consolidated Statement of Income

1. a) Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on loans (*)				
Short term loans	1,857,057	185,961	1,226,671	167,230
Medium and long term loans	1,312,272	165,346	975,967	114,075
Interest on non-performing loans	29,471	-	36,356	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	3,198,800	351,307	2,238,994	281,305

(*) Includes fees and commissions obtained from cash loans amounting to TL127,655 (31 December 2011: TL 111,302).

b) Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	-	-	-	-
Domestic banks	5,949	198	3,773	141
Foreign banks	2,747	2,082	4,828	4,679
Branches and head office abroad	-	-	-	-
Total	8,696	2,280	8,601	4,820

c) Information on interest received from securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets held for Trading	54,534	8,393	57,108	52,465
Financial Assets Valued at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available-for-Sale	332,950	8,204	322,110	23,278
Investments Held-to-Maturity	-	1,109	2,469	1,073
Total	387,484	17,706	381,687	76,816

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

d) Information on interest received from associates and subsidiaries:

Interest income received from associates and subsidiaries are eliminated in the consolidated financial statements.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
The Central Bank of Turkey	-	-	-	-
Domestic banks	15,072	5,910	14,677	3,089
Foreign banks	161,030	114,052	220,103	93,060
Branches and head office abroad	-	-	-	-
Other financial institutions	-	14,425	-	32,119
Total	176,102	134,387	234,780	128,268

(*) Includes fees and commission expenses of cash loans amounting to TL 4,805 (31 December 2011: TL 12,391).

b) Information on interest expenses to associates and subsidiaries:

Interest expenses to associates and subsidiaries are eliminated in the consolidated financial statements.

c) Information on interest expenses on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on securities issued	37,311	-	10,089	-
Total	37,311	-	10,089	-

d) Distribution of interest expense on deposits based on maturity of deposits:

Account Name	Time Deposits						Accumulated Deposits	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
TL								
Bank deposits	2,209	8,438	569	177	64	342	-	11,799
Saving deposits	753	154,349	679,917	23,699	6,459	2,755	-	867,932
Public sector deposits	1	6,410	29,364	24	2	-	-	35,801
Commercial deposits	105	96,336	324,242	14,672	9,926	89	-	445,370
Other deposits	-	5,332	127,126	11,575	3,768	35	-	147,836
7 days call accounts	-	-	-	-	-	-	-	-
Total	3,068	270,865	1,161,218	50,147	20,219	3,221	-	1,508,738
FC								
Foreign currency deposits	513	65,271	155,152	14,108	7,709	9,180	-	251,933
Bank deposits	91	472	691	62	-	300	-	1,616
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	1,758	2,338	261	466	-	-	4,823
Total	604	67,501	158,181	14,431	8,175	9,480	-	258,372
Grand Total	3,672	338,366	1,319,399	64,578	28,394	12,701	-	1,767,110

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on dividend income:

	Current Period	Prior Period
Trading Securities	-	-
Financial assets at fair value through profit and loss	-	-
Available-for-sale securities	909	454
Other	-	-
Total	909	454

4. Information on net trading income:

	Current Period	Prior Period
Income	5,160,472	7,598,433
Gains on capital market operations	66,515	202,164
Gains on derivative financial instruments (*)	1,528,943	1,821,666
Foreign exchange gains (**)	3,565,014	5,574,603
Losses (-)	5,243,261	7,622,957
Losses on capital market operations	34,635	192,178
Loss on derivative financial instruments (*)	2,013,004	1,797,381
Foreign exchange losses (**)	3,195,622	5,633,398

(*) Foreign exchange gains on hedging transactions are TL1,410 (31 December 2011: TL 7,999), while foreign exchange losses on hedging transactions are TL15,229 (31 December 2011: TL 4,167).

(**) Foreign exchange gains on derivative financial transactions are TL37,244 (31 December 2011: TL 173,594 foreign exchange losses).

5. Information on other operating income:

There is no issue that includes new developments and can influence the Group’s income significantly.

6. Provision expenses of banks for loans and other receivables:

	Current Period	Prior Period
Specific provisions for loans and other receivables	171,361	55,813
III. Group Loans and Receivables	43,943	17,937
IV. Group Loans and Receivables	50,046	19,003
V. Group Loans and Receivables	77,372	18,873
General provision expenses	146,187	86,006
Provision expenses for possible losses	-	-
Marketable securities impairment losses	-	5,131
Financial assets at fair value through profit and loss	-	5,131
Investment securities available for sale	-	-
Impairment provision expense	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control (Joint Vent.)	-	-
Investments held to maturity	-	-
Other	7,981	(5,063)
Total	325,529	141,887

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

7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses(*)	674,717	630,745
Reserve for employee termination benefits (**)	44,814	38,817
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets (***)	71,577	82,200
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	12,744	11,436
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	1,858	743
Depreciation expenses of assets to be disposed	1,676	1,147
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	539,454	510,734
Rent expenses (****)	143,115	142,584
Maintenance expenses	17,857	14,629
Advertisement expenses(*****)	67,573	60,375
Other expenses	310,909	293,146
Loss on sales of assets	3,364	1,150
Other(*****)	215,945	166,452
Total	1,566,149	1,443,424

(*) Includes restructuring expenses amounting to TL11,943 (31 December 2011: TL 12,773).

(**) Includes TL 7,646 restructuring charges (31 December 2011: TL 12,143).

(***) Includes TL 4,978 restructuring charges in 31 December 2011 (31 December 2011: None).

(****) Includes TL 1,382 restructuring charges (31 December 2011: 3,017).

(*****) Includes TL 295 restructuring charges. (31 December 2011: TL 15,923).

(*****) Included TL 26,469 (31 December 2011: TL 17,814) in other premiums paid to the Saving Deposit Insurance Fund, TL72,997 (31 December 2011: TL71,575) is other taxes and duties paid and TL11,579 (31 December 2011: TL29,406) is merger and restructuring costs.

8. Information on profit/(loss) from continued and discontinued operations before taxes:

Profit before tax of the Bank consists of net interest income and net fees and commission income amounting to TL 1,940,075 (31 December 2011: TL 1,455,165) and TL 581,553 (31 December 2011: TL 384,777), respectively; while operating expenses are TL 1,566,149 (31 December 2011: TL 1,443,424).

9. Information on tax provision for continued and discontinued operations:

- a) As of 31 December 2012, continuing operations' current tax charge is TL245,857 (31 December 2011: TL 41,478 tax charge) and deferred tax benefit is TL85,209 (31 December 2011: TL 45,942 deferred tax benefit), there is no current tax charge and deferred tax benefit in the current period from discontinued operations (31 December 2011: None).
- b) Deferred tax benefit on temporary differences resulted from discontinued operations is TL 85,209 (31 December 2011: TL 45,942 deferred tax benefit).

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

c) Tax reconciliation:

	Current Period	Prior Period
Profit on continued and discontinued operations before taxes	638,620	313,440
Additions	171,963	141,452
Disallowables	17,745	41,747
General loan loss provision	156,361	93,132
Effect of different tax rate	(2,946)	6,573
Other	803	-
Deductions	(7,345)	(17,790)
Other	(7,345)	(17,790)
Taxable Profit / (Loss)	803,238	437,102
Corporate tax rate	20%	20%
Tax calculated for continued and discontinued operations	160,648	87,420

As of 31 December 2012, current tax charge is TL245,857 (31 December 2011: TL 41,478 current tax charge) and deferred tax charge on temporary differences is TL85,209 (31 December 2011: TL 45,942 deferred tax benefit). Net tax charge recognized in the financial statements is TL160,648 (31 December 2011: TL 87,420 net tax charge).

10. Information on net profit/(loss) from continued and discontinued operations:

The Group's net profit from continued operations for the year ended 31 December 2012 is TL 477,972 (31 December 2011: TL 226,020). The Group has not made net profit from discontinued operations (31 December 2011: None).

11. The explanations on net income / loss for the period:

- a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Parent Bank's performance for the period: None (31 December 2011: None).
- b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None (31 December 2011: None).
- c) Profit or loss attributable to minority shares:

	Current Period	Prior Period
Profit or loss attributable to minority shares	1,542	1,456

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

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

Other interest income	Current Period	Prior Period
Interest income from factoring receivables	89,765	66,032
Other	7,498	867
Total	97,263	66,899

Other fees and commissions received	Current Period	Prior Period
Credit cards commissions and fees	441,309	284,867
Intelligence fee and commissions	45,753	14,198
Insurance commissions received	40,233	27,295
Transfer commissions	30,533	21,456
Funds management fees	28,393	41,027
Brokerage commissions	25,140	26,972
Settlement expense provision, eft, swift, agency commissions	15,347	11,243
Commissions and fees earned from correspondent banks	14,880	12,124
Other	178,689	112,535
Total	820,277	551,717

Other fees and commissions given	Current Period	Prior Period
Credit cards commissions and fees	258,824	172,721
Commissions and fees paid to correspondent banks	16,315	14,490
Settlement and swift commissions	8,891	9,090
Other	48,833	37,854
Total	332,863	234,155

V. Explanations and Disclosures Related to Consolidated Statement of Changes in Shareholders' Equity

- a) Increase resulting from revaluation of financial assets available for sale is TL 201,567 (31 December 2011: TL 233,601 decrease) and deferred tax effect of this change is TL 40,340 (31 December 2011: TL 46,720).

Gain or loss arising from measurement of financial assets available-for-sale included in shareholders' equity in the current period, excluding those related to hedging: TL 205,132 income (31 December 2011: TL 169,355).

The amount recycled from equity to net income/loss account if the loss or gain related with measurement at fair value is recorded to equity for the financial assets available-for-sale (excluding the assets related to hedging): TL 3,565 profit (31 December 2011: TL 64,246 profit).

- b) Increase in cash flow risk hedging items:

The Parent Bank hedges itself against cash flow risk from Turkish Lira short term time deposits through its interest rate swaps. In this context, the effective portion is accounted for under equity in “Hedging Funds” account. The related amount as of 31 December 2012 is TL 67,713 (31 December 2011: TL 5,631 increase) and deferred tax effect of this change is TL 13,543 (31 December 2011: TL 1,126).

- c) The reconciliation related with foreign exchange amounts in the beginning and end of the period: None.

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V. Explanations and Disclosures Related to Consolidated Statement of Changes in Shareholders' Equity (Continued)

- d) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.
- e) Dividends per share proposed subsequent to the balance sheet date: Profit appropriation will be resolved in the General Assembly meeting which has not been conducted as of the date of the accompanying financial statements are authorized for issue.
- f) Proposals to General Assembly for the payment dates of dividends and if it will not be appropriated the reasons for this: The Board of Directors has not decided for profit appropriation as of the date of the financial statements are authorized for issue.
- g) Amounts transferred to legal reserves: Amount transferred to legal reserves is TL 13,522 in 2012 (31 December 2011: TL 16,905).
- h) Information on shares issued:

The Group has not recorded any shares issued in “Share Premium” account in the current period.

VI. Explanations and Disclosures Related to Statement of Consolidated Cash Flows

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents:

“Other items” amounting to TL 1,754,473 (31 December 2011: TL 1,330,863) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other expenses except for leasing expenses, reserve for employee termination benefits, depreciation charges and taxes paid.

“Net increase/decrease in other liabilities” amounting to TL 209,326 (31 December 2011: TL 100,992) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and interbank money market borrowings. “Net increase/decrease in other assets” with a total amount of TL 1,996,572 (31 December 2011: TL 295,334) consists of changes in sundry debtors and other assets.

“Other items” amounting to TL 17,666 (31 December 2011: TL 10,463) in “Net cash provided from investing activities” consists of cash paid for purchases of intangible assets.

Effect of change in foreign exchange rate on cash and cash equivalents includes the foreign exchange effect resulting from the translation of cash and cash equivalents in foreign currency by using the foreign exchange rates at the beginning and at the end of the period, and it is TL 24,885 for the year 2012 (31 December 2011: TL 199,750).

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VI. Explanations and Disclosures Related to Statement of Consolidated Cash Flows (Continued)

2. Cash and cash equivalents at beginning and end of periods:

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the cash flow statement:

Beginning of the period	Current Period	Prior Period
Cash	2,429,726	1,616,646
Cash in TL/Foreign Currency	487,810	287,730
Central Bank – Unrestricted amount	1,616,648	1,301,246
Other	325,268	27,670
Cash equivalents	1,082,908	1,014,013
Banks	559,663	1,013,775
Money market placements	523,245	238
Total cash and cash equivalents	3,512,634	2,630,659

End of the period	Current Period	Prior Period
Cash	1,088,529	2,429,726
Cash in TL/Foreign Currency	591,035	487,810
Central Bank – Unrestricted amount	447,146	1,616,648
Other	50,348	325,268
Nakde Eşdeğer Varlıklar	2,493,245	1,082,908
Banks	793,015	559,663
Money market placements	1,700,230	523,245
Total cash and cash equivalents	3,581,774	3,512,634

VII. Explanations on the Risk Group of the Parent Bank

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

Prior period balances for balance sheet items are presented as of 31 December 2011, for income/expenses items presented as of 31 December 2012.

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	-	-	76,412	4	130,321	231,970
Balance at end of period	-	-	2,815	4	54,057	396,822
Interest and commission income	-	-	3,684	23	16,163	95

Direct and indirect shareholders of the Bank balance above includes TL 2,118 and other entities included in the risk group balance above includes TL 11,590 placement in foreign banks.

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. Explanations on the Risk Group of the Parent Bank (Continued)

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	-	-	38,643	40,782	208,651	117,172
Balance at end of period	-	-	76,412	4	130,321	231,970
Interest and commission income	-	-	2,911	20	8,143	333

Direct and indirect shareholders of the Bank balance above includes TL 1,913 and other entities included in the risk group balance above includes TL 15,701 placement in foreign 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	-	-	430,246	1,024,799	403,147	391,344
Balance at end of period	-	-	471,343	430,246	307,130	403,147
Interest on deposits	-	-	32,042	28,992	26,415	12,259

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	-	-	9,647,651	3,178,878	178,125	887,840
End of period	-	-	8,814,102	9,647,651	3,628	178,125
Total income/loss	-	-	12,945	(22,025)	792	10,671
Hedging transactions purposes						
Beginning of period	-	-	522,500	201,151	-	-
End of period	-	-	830,956	522,500	-	-
Total income/loss	-	-	(16,405)	(5,836)	-	-

d) As of 31 December 2012, the total amount of remuneration and fees provided for the senior management of the Group is TL 35,762 (31 December 2011: TL 31,400).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIII. Explanations on the Parent Bank’s Domestic, Abroad, Off-shore Branches or Subsidiaries, and Agencies Abroad

1. Explanations on the Parent Bank’s Domestic, Abroad, Off-shore Branches or Subsidiaries, and Agencies Abroad:

	Numbers	Employees		Total Assests	Capital
Domestic branches	504	9,239			
Rep-offices abroad	-	-	Country		
Branches abroad	4	46	Cyprus	359,997	20,000
Off-shore branches	1	3	Bahrain	991,055	-

2. Explanations on Branch and Agency Openings or Closings of the Parent Bank:

In the year 2012, the Parent Bank opened 6 branches , closed 4 branches .

IX. Explanations on significant events and matters arising subsequent to balance sheet date:

- i) Bond issued by The Parent Bank on 14 January 2013 with a nominal value of TL 364,702, maturity of 174 days with due date of 8 July 2013, with an interest rate of 6,71386%, and with an annual compound rate of 6,83192% has started to be publicly traded in bonds and bills market with ISIN code of “TRQTEBK71318”
- ii) It is declared that merger operation of Fortis Faktoring A.Ş. and the Parent Bank’s subsidiary TEB Faktoring A.Ş. is started and share purchase agreement regarding share transfer before merger dated 31 January 2013 is signed Teb Faktoring A.Ş., subsidiary of Fortis Faktoring A.Ş. and the Parent Bank, According to share purchase agreement, TL 14,499.996 of TL 14,500 nominal value of Fortis Faktoring A.Ş.’s share is to be buyed by TEB Faktoring A.Ş.. As a consequence of the share transfer, the Bank would be 100% shareholder indirectly. The Bank After the declared share transfer, TEB Faktoring A.Ş. and Fortis Faktoring A.Ş. are planned to be merged under TEB Faktoring A.Ş.

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SECTION SIX

OTHER EXPLANATIONS

I. Explanations on the Operations of the Parent Bank

None.

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SECTION SEVEN

INDEPENDENT AUDITOR’S AUDIT REPORT

I. Explanations on the Independent Auditor’s Report

The consolidated financial statements of the Bank were audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the independent auditor’s report dated 14 February 2013 is presented preceding the financial statements.

II. Other Footnotes and Explanations Prepared by Independent Auditors

None.

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