

**TÜRK EKONOMİ BANKASI
ANONİM ŞİRKETİ**

**CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2008**

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated financial statements of Türk Ekonomi Bankası A.Ş. (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated balance sheet as at December 31, 2008 and the consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Group's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2008 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

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

Member of **DELOITTE TOUCHE TOHMATSU**

Istanbul, March 9, 2009

INDEX

	Page No.
Consolidated Balance Sheet	1
Consolidated Income Statement	2
Consolidated Statement of Changes in Shareholders' Equity	3
Consolidated Cash Flow Statement	4
Notes to the Consolidated Financial Statements	5-62

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2008

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

	Notes	December 31, 2008	December 31, 2007
ASSETS			
Cash and balances with central banks	4	2,477,071	1,961,157
Deposits with banks and other financial institutions	4	790,677	783,701
Other money market placements	4	756,902	204,609
Financial assets at fair value through profit and loss	5,16	101,141	244,582
Derivatives used for hedging purposes	16	56,424	-
Available-for-sale financial assets	5	1,236,706	1,621,282
Loans and receivables	6	9,150,405	7,609,311
Remeasurement adjustment on interest rate risk hedged portfolios		45,757	-
Held-to-maturity investments	5	818,811	7,739
Factoring receivables	7	462,472	476,509
Minimum lease payments receivable	8	574,993	402,766
Premises and equipment	9	171,855	187,080
Intangible assets	10	12,861	8,896
Deferred tax asset	15	34,993	57,222
Other assets	11	358,340	324,855
Total assets		17,049,408	13,889,709
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from other banks	12	270,262	521,039
Customers' deposits	12	10,225,624	7,663,141
Other money market deposits	12	201,744	909,337
Financial liabilities at fair value through profit and loss	16	176,247	262,515
Derivatives used for hedging purposes	16	67,611	-
Factoring payables	7	142,829	169,605
Funds borrowed:			
- Subordinated debt	13	489,091	384,123
- Other funds borrowed	13	3,327,285	2,384,204
Other liabilities	14	553,107	579,817
Provisions	14	34,250	14,254
Income taxes payable	15	656	11,387
Deferred tax liability	15	223	12
Total liabilities		15,488,929	12,899,434
EQUITY			
Equity attributable to equity holders of the parent		1,560,479	990,275
Share capital issued	17	1,100,000	755,000
Premium in excess of par		2,158	1,736
Adjustment to share capital	17	926	926
Unrealized gains/(losses) on available-for-sale investments, net of tax	18	5,218	2,398
Other reserves and retained earnings	18	452,177	230,215
Total equity		1,560,479	990,275
Total liabilities and equity		17,049,408	13,889,709

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED INCOME STATEMENT FOR THE YEAR FROM
JANUARY 1 TO DECEMBER 31, 2008

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

	Notes	December 31, 2008	December 31, 2007
Interest income			
Interest on loans and receivables		1,603,770	1,171,134
Interest on securities		285,212	267,685
Interest on deposits with banks and other financial institutions		120,320	123,893
Interest on other money market placements		87,355	44,330
Interest on financial leases		60,184	39,555
Interest income on hedging derivatives		14,686	-
Other interest income		120	127
Total interest income		2,171,647	1,646,724
Interest expense			
Interest on customer deposits		(911,031)	(687,370)
Interest on other money market deposits		(93,589)	(98,970)
Interest on funds borrowed and deposits from other banks		(346,069)	(239,938)
Interest on hedging derivatives		(40,068)	-
Total interest expense		(1,390,757)	(1,026,278)
Net interest income		780,890	620,446
Fees and commissions and other operating income			
Fees and commissions income	24	364,284	244,521
Fees and commissions expenses	24	(135,811)	(69,845)
Net gain/loss on financial instruments at fair value through profit or loss	23	35,183	(45,856)
Gains less losses on investment securities		(4,644)	5,503
Net income from other activities		1,805	4,606
Net banking income		1,041,707	759,375
Operating expenses			
Salaries and employee benefits	21	(421,049)	(283,314)
Other operating expenses	22	(221,557)	(163,855)
Depreciation and amortization	9,10	(45,718)	(31,494)
Taxes other than on income		(39,529)	(17,033)
Gross operating income		313,854	263,679
(Provisions for) / recoveries from impairment of loan, lease and factoring receivables		(131,594)	(84,268)
Net operating income		182,260	179,411
Gain/(loss) on sale of fixed assets and investments		218	98
Profit from operating activities before income tax		182,478	179,509
Income tax – current	15	29,518	(80,915)
Income tax – deferred	15	(21,846)	42,088
Net profit for the year		190,150	140,682
Attributable to :			
Equity holders of the parent		190,150	140,682
Net profit		190,150	140,682
Earnings per share (full TRY)	19	0.2249	0.2425

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED
DECEMBER 31, 2008

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

Attributable to equity holders of the parent								
	Notes	Share Capital	Premium in excess of Par	Adjustment to share capital	Unrealized gains/(losses) on available-for-sale investments, net of deferred tax	Currency translation differences	Legal reserves and retained earnings	Total Equity
At January 1, 2007		76,500	1,592	252,676	(10,123)	(18,323)	329,519	631,841
Currency translation differences		-	-	-	-	(4,913)	-	(4,913)
Net change in unrealized gains on available-for-sale investments		-	-	-	12,521	-	-	12,521
Exchange differences arising on transactions of foreign operations		-	-	-	-	(4,770)	-	(4,770)
Gain/(loss) on hedge of net investment in a foreign operation		-	-	-	-	4,770	-	4,770
Total income and expense for the year recognized directly in equity		-	-	-	12,521	(4,913)	-	7,608
Net profit for the year		-	-	-	-	-	140,682	140,682
Total income / expense for the year		-	-	-	12,521	(4,913)	140,682	148,290
Capital increase		678,500	144	(251,750)	-	-	(216,750)	210,144
At December 31, 2007/January 1, 2008		755,000	1,736	926	2,398	(23,236)	253,451	990,275
Currency translation differences		-	-	-	-	31,812	-	31,812
Net change in unrealized gains on available-for-sale investments	18	-	-	-	2,820	-	-	2,820
Exchange differences arising on transactions of foreign operations	18	-	-	-	-	-	-	-
Gain/(loss) on hedge of net investment in a foreign operation	18	-	-	-	-	-	-	-
Total income and expense for the year recognized directly in equity		-	-	-	2,820	31,812	-	34,632
Net profit for the year		-	-	-	-	-	190,150	190,150
Total income / expense for the year		-	-	-	2,820	31,812	190,150	224,782
Capital increase	17	345,000	422	-	-	-	-	345,422
At December 31, 2008		1,100,000	2,158	926	5,218	8,576	443,601	1,560,479

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

	Notes	December 31 , 2008	December 31, 2007
Cash flows from operating activities			
Interest received		1,888,773	1,542,361
Interest paid		(1,311,865)	(818,051)
Fees and commissions received		364,284	244,521
Trading income		699,381	(23,026)
Recoveries of impairment of loan, lease and factoring receivables		31,125	1,200
Fees and commissions paid		(135,811)	(69,845)
Cash payments to employees and other parties		(394,042)	(276,877)
Cash received from other operating activities		1,805	4,606
Other operating activities		(433,545)	(256,556)
Income taxes paid		(32,426)	(68,882)
Cash flows from operating activities before changes in operating assets and liabilities		677,679	279,451
Changes in operating assets and liabilities			
Net (increase) / decrease in trading securities		182,661	(115,858)
Net (increase) / decrease in reserve deposits at central banks		(469,119)	(194,472)
Net (increase) / decrease in due from banks and other financial institutions		1,362	(3,545)
Net (increase) / decrease in loans and receivables		(1,482,297)	(1,905,438)
Net (increase) / decrease in factoring receivables		12,707	(183,993)
Net (increase) / decrease in minimum lease payments receivable		(175,926)	(118,467)
Net (increase) / decrease in other assets		(77,457)	(272,419)
Net increase / (decrease) in deposits from other banks		(250,777)	332,839
Net increase / (decrease) in customers' deposits		2,525,987	1,124,705
Net increase / (decrease) in other money market deposits		(707,593)	138,333
Net increase / (decrease) in factoring payables		(24,042)	55,799
Net increase / (decrease) in other liabilities		(39,470)	385,246
Net cash (used in) provided by operating activities		(503,964)	(757,270)
Cash flows from investing activities			
Purchases of available for sale securities		(1,246,630)	(674,887)
Proceeds from sale and redemption of available for sale securities		134,212	654,495
Proceeds from redemption of held to maturity securities		-	1,597
Purchases of property and equipment		(69,480)	(82,405)
Proceeds from the sale of premises and equipment		5,687	740
Purchases of intangible assets		(9,773)	(4,810)
Net cash provided by (used in) investing activities		(1,185,984)	(105,270)
Cash flows from financing activities			
Proceeds from funds borrowed and debt securities		16,543,292	13,047,076
Repayment of funds borrowed and debt securities		(15,841,106)	(11,640,497)
Issue of share capital	17	345,000	210,000
Premium in excess of par	17	422	144
Net cash provided by (used in) financing activities		1,047,608	1,616,723
Effect of net foreign exchange difference		570,816	(319,341)
Net increase/ (decrease) in cash and cash equivalents		606,155	714,293
Cash and cash equivalents at the beginning of the year	4	2,173,691	1,459,398
Cash and cash equivalents at the end of the year		4	2,779,846
		2,779,846	2,173,691

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

1. CORPORATE INFORMATION

General

Türk Ekonomi Bankası A.Ş. (the Bank) was incorporated in Turkey in 1927 under the name of Kocaeli Halk Bankası T.A.Ş. and was acquired by the Çolakoğlu Group in 1982. The name of the Bank was changed as Türk Ekonomi Bankası A.Ş. and its headquarters moved to Istanbul. Certain shares of the Bank, representing 20% of the total, were listed on the Istanbul Stock Exchange in February 2000. Currently, 15.63% of the total shares are publicly traded. TEB's shares are also listed and traded on the London Stock Exchange as GDR's since 2000. The registered office address of TEB is Meclis-i Mebusan Caddesi, No: 57, Fındıklı-Istanbul/Turkey.

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

On February 10, 2005 BNP Paribas acquired 50% shares of TEB Mali Yatırımlar A.Ş., the ultimate shareholder of the Group by 84.25%.

The consolidated financial statements of the Bank were authorized for issuance by the management on March 9, 2009. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

Nature of Activities of the Group

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

The subsidiaries included in the consolidation and the effective shareholding percentages of the Group as of December 31, 2008 and 2007 are as follows:

	Place of Incorporation	Effective Shareholding And Voting Rights %	
		December 31, 2008	December 31, 2007
The Economy Bank N.V. (Economy Bank)	Netherlands	100.0	100.0
TEB Yatırım Menkul Değerler A.Ş. (TEB Yatırım)	Turkey	100.0	100.0
TEB Faktoring A.Ş. (TEB Faktoring)	Turkey	100.0	100.0
TEB Finansal Kiralama A.Ş. (TEB Leasing)	Turkey	100.0	100.0
TEB Portföy Yönetimi A.Ş. (TEB Portföy)	Turkey	100.0	100.0
Stichting Effecten Dienstverlening	Netherlands	100.0	100.0
Kronenburg Vastgoed B.V.	Netherlands	100.0	100.0

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

1. CORPORATE INFORMATION (continued)

The principal activities of the consolidated subsidiaries are as follows:

Economy Bank – Operating as a commercial bank which mainly deals in foreign trade finance, corporate banking, private banking and correspondent banking services.

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

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

TEB Leasing – Providing financial leasing services to corporate customers, investing in industrial machinery and equipment, various equipment and transport vehicles.

TEB Portföy – As well as managing mutual funds which consist of capital market instruments, it manages individual customer portfolios.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements have been prepared under the historical cost convention, except for those assets and liabilities measured at fair value.

The Bank and its subsidiaries which are incorporated in Turkey maintain their books of account and prepare their statutory financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Turkish Banking Law and accounting standards promulgated by the other relevant laws and regulations. The foreign subsidiaries maintain their books of account and prepare their statutory financial statements in their local currencies and in accordance with the regulations of the countries in which they operate. The consolidated financial statements have been prepared by using statutory financial statements of the Bank and its subsidiaries and have been presented in accordance with IFRS in New Turkish Lira (TRY) with adjustments and certain reclassifications for the purpose of fair presentation in accordance with IFRS. Such adjustments mainly comprise the effects of deferred taxation and reserve for impairment of loans.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of Significant Accounting Policies, Judgments and Estimates

Judgments and Estimates

The preparation of the financial statements in accordance with IFRS, including International Accounting Standards (IAS) requires management to make estimates and assumptions that are reflected in the measurement of income and expenses in the profit and loss statement and in the carrying value of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the financial statements. Managers do exercise judgment and make use of information available at the date of the preparation of the financial statements in making these estimates. The actual future results of operations in respect of the areas where these judgments and estimates have been made may in reality be different than those estimates. This may have a material effect on the financial statements.

The judgments and estimates that may have a significant effect on amounts recognized in the financial statements are discussed in the relevant sections below.

Functional and Presentation Currency

Functional and Presentation Currency for the Bank and Its Subsidiaries Which Operate in Turkey:

Functional currency of the Bank and its subsidiaries, which operate in Turkey, is New Turkish Lira (TRY). Until December 31, 2004, the date at which the Group considers that the qualitative and quantitative characteristics necessitating restatement pursuant to IAS 29 (“Financial Reporting in Hyperinflationary Economies”) were no longer applicable, the financial statements of these companies were restated for the changes in the general purchasing power of TRY based on IAS 29, which requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms.

In accordance with Law No: 5083 “Monetary Unit of the Turkish Republic” (Law No: 5083), the name of the Turkish Republic’s monetary unit and its sub-currency unit is changed to the New Turkish Lira and the New Turkish Cent, respectively. However, in accordance with the additional resolution of the Council of Ministers in regards to the order on the removal of the phrase “New” in the New Turkish Lira and the New Turkish Cent and Its Application Principles, the phrase “New” used in the Turkish Republic’s monetary unit is removed both from New Turkish Lira and the New Turkish Cent as of January 1, 2009.

Functional Currencies of Foreign Subsidiaries:

As of December 31, 2008, Economy Bank operating in Netherlands adopted the Euro (EUR) as its functional currency.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation

The consolidated financial statements are presented in TRY, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are reflected to the income statement.

Foreign currency translation rates used by the Group as of respective year-ends are as follows:

	EUR / TRY	USD / TRY
December 31, 2006	1.85	1.41
December 31, 2007	1.71	1.16
December 31, 2008	2.13	1.52

The assets and liabilities of foreign subsidiaries (none of which has the currency of a hyperinflationary economy) are translated into the presentation currency of the Group (TRY) at the exchange rate ruling at the balance sheet date. The income statements of foreign subsidiaries are translated at average exchange rates for the period. For consolidation purposes, exchange differences arising from the translation of the net investment in foreign entities are included in equity as currency translation differences until the disposal of the net investment.

On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement as a component of the gain or loss on disposal.

Basis of Consolidation and Goodwill

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries, as at December 31 of each year in consideration.

Subsidiaries are entities all over which the Group has power to govern the financial and operating policies so as to benefit from their activities. Subsidiaries in which the Group owns directly or indirectly more than 50% of the voting rights, or has power to govern the financial and operating policies under a statute or agreement are subject to consolidation. The existence and effect of potential voting rights which are currently exercisable or convertible are considered when assessing whether the Group controls another entity or not.

Subsidiaries are fully consolidated from the date of acquisition, referring to the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The purchase accounting method is used for acquired businesses. The purchase accounting method includes allocating the cost of the business combination to the fair value of assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. Goodwill represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets of an acquired subsidiary or associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to cash generating units. The carrying amount of goodwill at December 31, 2008 and 2007 was TRY 1,205 (see Note 10) and there is no impairment recorded related to goodwill. Gains and losses on the disposal of an entity include the carrying amount of the goodwill relating to the related entity sold. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement. There is no negative goodwill recognized by the Group.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

All intra-group balances, transactions, and unrealized gains on intra-group transactions are eliminated; unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and accumulated impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and land improvements	50 years
Machinery and equipment	5 years
Office equipment	5 years
Furniture, fixtures and vehicles	5 years
Leasehold improvements	Lease period
Land	Not depreciated

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each year end.

The carrying values of premises and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets of cash generating units are written down to their recoverable amount. The recoverable amount is defined as the amount that is the higher of the asset's fair value less costs to sell and value in use. Impairment losses are recognized in the income statement. There is no impairment recorded related to premises and equipment.

An item of premises and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

Intangible Assets

Intangible assets acquired are capitalized at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets with finite lives are amortized on a straight-line basis over the best estimate of their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. There is no impairment recorded related to intangible assets. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The Group amortizes intangible assets with a finite life on a straight-line basis over the estimated useful lives of 3 to 5 years. There are no intangible assets with indefinite useful lives, other than goodwill.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments and available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value. The Group determines the classification of its financial assets at initial recognition.

The Group recognizes all regular way purchases and sales of financial assets on the settlement date i.e. the date that the asset is delivered. 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 i.e. for assets carried at cost or amortized cost, change in value is not recognized.

Financial assets at fair value through profit or loss

Financial assets classified as held-for-trading are included in this category. 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 in which a pattern of short term profit taking exist. Derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Gains or losses on investments held-for-trading are recognized in income.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investments intended to be held for an undefined period are not included in this classification. The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgments. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances such as selling an insignificant amount close to maturity - it will be required to classify the entire class as available-for-sale. The investments would therefore be measured at fair value; not amortized cost. If the entire class of held-to-maturity investments is tainted, the carrying value would increase by TRY 7,392 before tax effect, by fair valuing due to change in the classification and hence, the valuation methodology, with a corresponding entry in the net unrealized gains on available-for-sale investments under equity. There has been no tainting in the held-to-maturity portfolio during 2008 or 2007.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

Interest earned whilst holding held to maturity securities is reflected in the income statement as interest income.

When financial assets are transferred to held-to-maturity category from available-for-sale portfolio, as a result of a change in intention the fair value carrying amount of the related financial assets becomes the new amortized cost. Any previous gain or losses on those assets that have been recognized in equity are amortized over the remaining life of the held-to-maturity investments using the effective interest method.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Such assets are carried at amortized cost using the effective interest method less any impairment in value. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest earned on such loans and receivables is reported as interest income.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses on remeasurement to fair value are recognized as a separate component of equity until the investment is derecognized, or until the investment is determined to be impaired, at the time the cumulative gain or loss previously reported in equity is included in the income statement. However, interest calculated on available-for-sale financial assets using effective interest method is reported as interest income.

For investments that are traded in an active market, fair value is determined by reference to stock exchange or current market bid prices, at the close of business on the balance sheet date. For investments where there is no market price or market price is not an indicator of the fair value of the instrument, fair value is determined by reference to the current market value of substantially the same instrument, by recent arm's length transactions, by discounted cash flow analysis or through other valuation techniques commonly used.

Repurchase and Resale Transactions

The Group enters into sales of securities under agreements to repurchase such securities at a fixed price at a fixed future date. Such securities, which have been sold subject to a repurchase agreement ('repos'), are recognized in the balance sheet and are measured in accordance with the accounting policy of the security portfolio which they belong to. Securities sold subject to repurchase agreements ('repos') are referred to as loaned securities when the transferee has the right by contract or custom to sell or repledge the collateral. The counterparty liability for amounts received under these agreements is included in other money market deposits. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreement using the effective interest method.

Securities purchased with a corresponding commitment to resell at a fixed price at a specified future date ('reverse repos') are not recognized in the balance sheet, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in other money market placements. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement using the effective interest method.

Netting of Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition and Derecognition of Financial Instruments

The Group recognizes a financial asset or financial liability in the balance sheet only when it becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when the rights to receive cash flows from the asset have expired; or while retaining the right to receive cash flows from the asset the Group has also assumed an obligation to pay them in full without material delay to a third party; or the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has transferred the control of the asset.

The Group does not have any assets where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset that is recognized to the extent of the Group's continuing involvement in the asset.

The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires.

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets

a) Assets carried at amortized cost

In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated amounts recoverable from a portfolio of loans and individual loans or not. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- (a) significant financial difficulty of the issuer or obliger;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;
- (c) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- (d) becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - (i) adverse changes in the payment status of borrowers; or
 - (ii) national or local economic conditions that correlate with defaults on the assets in the group.

All loans with principal and/or interest overdue for more than 90 days are considered as impaired and individually assessed.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured based on the difference between the carrying amount and the estimated recoverable amount of the asset, determined by the net present value of the expected future cash flows discounted at the loan's original effective interest rate. The estimated recoverable amount of a collateralized financial asset is measured based on the amount that is expected to be realized from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized in the income statement.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group first assesses whether objective evidence for impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognized in income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

A write off is made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the principal amount of a loan. Subsequent recoveries of amounts previously written off are included in income.

The methodology and assumptions used for estimating both the amount and timing of recoverable amounts are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The total carrying value of such loans and receivables as of December 31, 2008 is TRY 10,187,870 (December 31, 2007 - TRY 8,488,586) net of impairment allowance of TRY 203,116 (December 31, 2007 - TRY 135,348).

b) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value since its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the carrying amount and the present value of the recoverable amount of the asset. There is no impairment recorded related to assets carried at cost.

c) Available-for-sale financial assets

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Interest - Bearing Deposits and Borrowings

All deposits and borrowings are initially recognized at the fair value of consideration received less directly attributable transaction costs. After initial recognition interest-bearing deposits and borrowings are subsequently measured at amortized cost using the effective interest method. Gains or losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits

(a) Defined Benefit Plans:

In accordance with existing social legislation in Turkey, the Bank and its subsidiaries in Turkey are required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Economy Bank does not carry any obligation with regards to the retirement pay liability.

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

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Group uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations which are disclosed in Note 14 are reviewed regularly. The carrying value of employee termination benefit provisions as of December 31, 2008 is TRY 13,795 (December 31, 2007 - TRY 11,187).

(b) Other Contributions:

The Group also paid contributions on a contractual basis to TEB'liler Vakfi ("TEB'liler Foundation", a privately administrated pension plan), the liquidation of which was completed on February 19, 2008. The Group pays contributions to Social Security Funds on a mandatory basis. There are no other liabilities related to employee benefits to be provisioned.

The pension plan for Economy Bank is based on a fixed contribution as a percentage of the annual salary, whereby the terms and conditions of the plan are based on each individual's requirements, within a fixed framework, allowing the individual staff member to contribute for his/her own account.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, 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. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Leases

(a) The Group as Lessee

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. These include rent agreements of branch premises, which are cancellable subject to a period of notice. Related payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) The Group as Lessor

Financial leases

The Group classifies leased assets as a receivable equal to the net investment in the lease. Income on financial leases is based on a pattern reflecting a constant periodic rate of return on the outstanding net investment. Initial direct costs are included in the initial measurement of the financial lease receivable and reduce the amount of income recognized over the lease term.

Factoring Receivables and Factoring Payables

Factoring receivables are recognized at original factored receivable amount, which represents the fair value of consideration given, and subsequently remeasured at amortized cost less reserve for impairment. Factoring payables are recognized at original factored amount less advances extended against factoring receivables, interest and factoring commissions charged, and are carried at amortized cost.

Income and Expense Recognition

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, throughout the period to the next repricing date. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment) but does not consider future credit losses. The calculation includes all fees paid or received between parties in the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate of the loan. Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts. Asset management fees and custody service fees that are continuously provided over an extended period of time are recognized ratably over the period service is provided.

Fee for bank transfers and other banking transaction services are recorded as income when collected.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax

Tax charge/(benefit) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred taxes.

The Group is subject to income taxes in various jurisdictions. Where there are matters causing the final tax outcome to be different from the amounts initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As of December 31, 2008, the Group carries TRY 656 of income taxes payable (December 31, 2007 - TRY 11,387), TRY 34,993 of deferred tax asset (December 31, 2007 - TRY 57,222) and TRY 223 of deferred tax liability (December 31, 2007 - TRY 12).

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that, in the management's judgment, it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative Financial Instruments and Hedge Accounting

Derivatives Held for Trading

The Group enters into transactions with derivative instruments including forwards, swaps and options in the foreign exchange and capital markets. Fair values of foreign currency forward and swap transactions are determined by comparing the period end foreign exchange rates with the contractual forward rates discounted to the balance sheet date with the current market rates. The resulting gain or loss is reflected in 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.

Fair values of option transactions are determined by comparing the option rates discounted to the balance sheet date with the period end foreign exchange rates and the resulting gain or loss is reflected to the income statement of the current period, taking into account the exercisability of the option. Premiums, received and paid for the option transactions, are calculated on an accrual basis using effective interest rate method.

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.

All derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. As of December 31, 2008, the carrying amount of derivative financial assets held for trading is TRY 85,536 (December 31, 2007 - TRY 45,032) and the carrying amount of derivative financial liabilities held for trading is TRY 176,247 (December 31, 2007 - TRY 262,515).

Derivatives and Hedge Accounting

As of July 1, 2008, the Bank has started to apply fair value hedge accounting for the interest rate risk of a certain portfolio of its consumer loans with certain cross currency and interest rate swaps as hedging instruments.

At the inception of the hedge, the Bank prepared formal documentation of the hedging relationship identifying the hedged item, the hedging instrument, the hedging strategy, the type of risk covered and the methods used to assess the effectiveness of the hedging relationship. On inception, the effectiveness of the hedging relationship is assessed consistently on a quarterly basis with the original documentation.

The fair value changes of the hedged portfolio are included under "remeasurement adjustment on interest-rate risk hedged portfolios" in the balance sheet and "net gain/loss on financial instruments at fair value through profit or loss" in the income statement. Additionally, the difference between the fair value and the carrying value of the hedged portfolio at the inception of hedge accounting is amortized based on the respective maturities and included in "net gain/loss on financial instruments at fair value through profit or loss" in the income statement together with the fair value changes of the hedged portfolio and hedging instruments. The actual interest income and expense on the derivatives used for hedging purposes are recorded as interest income and expense.

As of December 31, 2008, the carrying amount of derivative financial assets used for hedging purposes is TRY 56,424 (December 31, 2007 - nil) and the carrying amount of derivative financial liabilities for hedging purposes is TRY 67,611 (December 31, 2007 - nil).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Assets

Assets held by the Group in a fiduciary, agency or custodian capacity for its customers are not included in the balance sheet, since such items are not treated as assets of the Group.

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products and services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

2.3 Changes in Accounting Policies

In the current year, the Bank has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“the IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for accounting periods beginning on January 1, 2008. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Bank’s accounting policies in the following areas:

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2008 but they are not relevant to the Bank’s operations:

IFRIC 11, “IFRS 2 – Group and treasury share transactions”,
IFRIC 12, “Service concession arrangements”,
IFRIC 14, “IAS 19- The limit on a defined benefit asset, minimum funding requirements and their interaction”.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- | | |
|--|---|
| • IFRS 8, “Operating segments” | Effective for annual periods beginning on or after 1 January 2009 |
| • IFRIC 13, “Customer loyalty programmes” | Effective for annual periods beginning on or after 1 July 2008 |
| • IFRIC 15, “Agreements for the Construction of Real Estate” | Effective for annual periods beginning on or after 1 January 2009 |
| • IFRIC 16, “Hedges of a net investment in a foreign operation” | Effective for annual periods beginning on or after 1 October 2008 |
| • IFRIC 17, “Distributions of non-cash assets to owners” | Effective for annual periods beginning on or after 1 July 2009 |
| • IFRIC 18, “Transfers of Assets from Customers” | Effective for transfers received on or after 1 July 2009 |
| • IFRS 2, “Share-based Payment - Amendment relating to vesting conditions and cancellations | Effective for annual periods beginning on or after 1 January 2009 |
| • IFRS 1, “First-time Adoption of International Financial Reporting Standards
— Amendment relating to cost of an investment on first-time adoption” | Effective for annual periods beginning on or after 1 January 2009 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- IFRS 3, “Business Combinations” Effective for annual periods beginning on or after 1 July 2009
- IAS 27, “Consolidated and Separate Financial Statements”
- IAS 28, “Investments in Associates”
- IAS 31 “Interests in Joint Ventures” Comprehensive revision on applying the acquisition method

- IAS 23, “(Amendment) Borrowing costs” Effective for annual periods beginning on or after 1 January 2009
Comprehensive revision to prohibit immediate expensing

- IAS 27, “Consolidated and Separate Financial Statements” Effective for annual periods beginning on or after 1 January 2009
Amendment relating to cost of an investment on first-time adoption

- IAS 1, “Presentation of Financial Statements” Effective for annual periods beginning on or after 1 January 2009
- IAS 32, “Financial Instruments: Presentation”
Amendments relating to disclosure of puttable instruments and obligations arising on liquidation

- IAS 1, “Presentation of Financial Statements” Effective for annual periods beginning on or after 1 January 2009
Comprehensive revision including requiring a statement of comprehensive income

- IAS 39, “Financial Instruments: Recognition and Measurement” Effective for annual periods beginning on or after 1 January 2009
Amendments for eligible hedged items

The effects of Standards and Interpretations which are issued but not effective as of the date of issue of this financial statements which are relevant to the operations of the Bank are as follows:

IFRS 8, “Operating Segments”

IFRS 8 “Operating Segments” replaces IAS 14 ‘Segment Reporting’’. This standard requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. The Bank, will apply IFRS 8 effective 1 January 2009.

IFRIC 13, “Customer Loyalty Programs”

Customer loyalty programs are accounted for as a separate component of the revenue. The amount of proceeds allocated to the award credits is measured by reference to their fair value and the deferred portion of the proceeds is recognized as revenue only when obligations are fulfilled. The impact of the first-time application of IFRIC 13 on the Bank’s financial statements is currently being reviewed.

The Bank’s management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Bank except for the revisions and interpretations in IFRS 8 and IFRIC 13.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Statement of Cash Flows

The cash and cash equivalents balance comprises cash and balances with central banks (excluding obligatory reserve deposits), deposits with banks and other financial institutions and other money market placements with an original maturity of three months or less.

Changes in cash and cash equivalents related to operating activities reflect cash flows generated by the Group's operations.

Changes in cash and cash equivalents related to investing activities reflect cash flows resulting from acquisitions and disposals of subsidiaries, as well as acquisitions and disposals of premises and equipment.

Changes in cash and cash equivalents related to financing activities reflect the cash inflows and outflows resulting from transactions with shareholders and cash flows related to subordinated debt.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

3. SEGMENT INFORMATION

Business segments

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

Year ended December 31, 2008

	Retail Banking	Corporate Banking	Other	Eliminations	Group
External revenues	235,572	1,427,808	877,084	(2,728)	2,537,736
Revenues from other segments	-	-	-	-	-
Total revenues	235,572	1,427,808	877,084	(2,728)	2,537,736
Segment result (A)	(14,233)	433,339	(239,463)	2,835	182,478
Unallocated costs (B)	-	-	-	-	-
Operating profit (A-B)	(14,233)	433,339	(239,463)	2,835	182,478
Dividend Income	-	-	21,817	(21,817)	-
Profit before income tax	(14,233)	433,339	(217,646)	(18,982)	182,478
Income tax	-	-	7,672	-	7,672
Net profit	(14,233)	433,339	(209,974)	(18,982)	190,150
Assets and Liabilities					
Segment assets	1,716,410	7,677,408	7,126,609	(49,068)	16,471,359
Investment in associates	-	-	163,893	(163,893)	-
Unallocated assets	-	-	578,049	-	578,049
Total assets	1,716,410	7,677,408	7,868,551	(212,961)	17,049,408
Segment liabilities	5,798,061	4,472,221	4,679,686	(49,275)	14,900,693
Unallocated liabilities	-	-	588,236	-	588,236
Total liabilities	5,798,061	4,472,221	5,267,922	(49,275)	15,488,929
Other segment information					
Capital expenditures					
Tangible fixed assets	-	-	-	-	64,610
Intangible fixed assets	-	-	-	-	9,881
Depreciation	-	-	-	-	40,639
Amortization	-	-	-	-	5,079

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

3. SEGMENT INFORMATION (continued)

Year ended December 31, 2007

	Retail Banking	Corporate Banking	Other	Eliminations	Group
External revenues	165,870	1,094,972	640,124	(5,115)	1,895,851
Revenues from other segments	-	-	-	-	-
Total revenues	165,870	1,094,972	640,124	(5,115)	1,895,851
Segment result (A)	(15,365)	320,697	(118,704)	(7,119)	179,509
Unallocated costs (B)	-	-	-	-	-
Operating profit (A-B)	(15,365)	320,697	(118,704)	(7,119)	179,509
Dividend Income	-	-	19,119	(19,119)	-
Profit before income tax	(15,365)	320,697	(99,585)	(26,238)	179,509
Income tax	-	-	(38,827)	-	(38,827)
	-	-	-	-	-
Net profit	(15,365)	320,697	(138,412)	(26,238)	140,682
Assets and Liabilities					
Segment assets	1,269,368	6,506,744	5,571,438	(35,894)	13,311,656
Investment in associates	-	-	163,893	(163,893)	-
Unallocated assets	-	-	580,573	(2,520)	578,053
Total assets	1,269,368	6,506,744	6,315,904	(202,307)	13,889,709
Segment liabilities	4,335,844	3,264,351	4,729,787	(36,018)	12,293,964
Unallocated liabilities	-	-	605,241	229	605,470
Total liabilities	4,335,844	3,264,351	5,335,028	(35,789)	12,899,434
Other segment information					
Capital expenditures					
Tangible fixed assets	-	-	-	-	119,283
Intangible fixed assets	-	-	-	-	4,810
Depreciation	-	-	-	-	27,720
Amortization	-	-	-	-	3,774

Geographical segments

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

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

3. SEGMENT INFORMATION (continued)

Year ended December 31, 2008

	Turkey	European Union	Total
Other segment information			
Segment assets	15,061,435	1,409,924	16,471,359
Unallocated assets	567,353	10,696	578,049
Total assets	15,628,788	1,420,620	17,049,408
Capital expenditures			
Tangible fixed assets	64,504	106	64,610
Intangible fixed assets	9,403	478	9,881

Year ended December 31, 2007

	Turkey	European Union	Total
Other segment information			
Segment assets	12,084,967	1,226,689	13,311,656
Unallocated assets	570,901	7,152	578,053
Total assets	12,655,868	1,233,841	13,889,709
Capital expenditures			
Tangible fixed assets	119,101	182	119,283
Intangible fixed assets	4,708	102	4,810

4. CASH AND BALANCES WITH CENTRAL BANKS

	December 31, 2008	December 31, 2007
Cash on hand	269,065	193,540
Balances with central banks	968,662	998,666
Reserve deposits	1,239,344	768,951
Cash and balances with central banks	2,477,071	1,961,157
Deposits with banks and other financial institutions	790,677	783,701
Funds lent under reverse repurchase agreements	216	14,526
Interbank placements	756,686	190,083
Other money market placements	756,902	204,609
Less: Time deposits with original maturities of more than three months	(4,393)	(3,298)
Less: Reserve deposits	(1,239,344)	(768,951)
Less: Interest accruals	(1,067)	(3,527)
Cash and cash equivalents in the cash flows statement	2,779,846	2,173,691

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

4. CASH AND BALANCES WITH CENTRAL BANKS (continued)

The effective interest rates on deposits and placements are as follows:

	December 31, 2008		December 31, 2007	
	Effective interest rate		Effective interest rate	
	New Turkish Lira	Foreign Currency	New Turkish Lira	Foreign Currency
Balances with central banks	11.43%-12.56%	0.95%-3.25%	-	1.80%-4.17%
Reserve deposits	12.00%	0.15%-1.18%	11.81%	1.80%-1.95%
Deposits with banks and other financial institutions	14.50%-23.00%	0.02%-4.57%	15.70%-19.90%	3.30%-20.00%
Funds lent under reverse repurchase agreements	15.00%-15.15%	-	16.60%-17.10%	7.00%
Interbank placements	15.00%-16.75%	3.00%-4.00%	15.75%	-

As of December 31, 2008 and 2007, the amounts of reserve deposits at central banks are TRY 1,239,344 and TRY 768,951, respectively.

According to the regulations of the Central Bank of Turkish Republic (the Central Bank), banks are obliged to deposit a portion of certain liability accounts as specified in the related decree. Such mandatory reserves are not available for use in the Group's day-to-day operations. Reserves deposited with the Central Bank of Turkish Republic amounted to TRY 892,183 (December 31, 2007 - TRY 749,526).

As of December 31, 2008 and 2007, the reserve deposit requirements applicable in Turkey for New Turkish Lira and foreign currency deposits were 6% and 9%, respectively.

Banks in the Netherlands are required to maintain a certain amount of funds and/or reserves on an account at the Dutch Central Bank and receive interest on their reserve requirement deposits at rates in line with open-market facilities. 2% reserve deposit requirement is applicable in Netherlands for all deposits maturing less than 2 years.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND INVESTMENT SECURITIES

Financial assets at fair value through profit and loss:

	December 31, 2008			December 31, 2007		
	Amount	Effective interest rate		Amount	Effective interest rate	
		New Turkish Lira	Foreign Currency		New Turkish Lira	Foreign Currency
Financial assets at fair value through profit and loss						
Debt instruments						
Turkish government bonds	2,670	6.64%-22.44%	5.05%-6.95%	174,424	7.32%-18.86%	5.20%-6.63%
Turkish treasury bills	12,455	15.00%-17.77%	6.75%-9.00%	3,847	14.00%-20.78%	-
Eurobonds issued by the Turkish government	480	-	6.03%-8.93%	20,616	-	3.92%-11.88%
Equity instruments –listed	-	-	-	663	-	-
Derivatives held for trading	85,536	-	-	45,032	-	-
Total	101,141			244,582		

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND INVESTMENT SECURITIES (continued)

Investment Securities:

	December 31, 2008			December 31, 2007		
	Amount	Effective interest rate		Amount	Effective interest rate	
		New Turkish Lira	Foreign Currency		New Turkish Lira	Foreign Currency
Available- for-sale securities at fair value						
Debt instruments						
Turkish government bonds	1,012,253	6.64%-20.81%	-	1,561,767	16.14%-21.06%	5.20%-6.13%
Turkish treasury bills	97,906	16.07%-20.55%	-	-	-	-
Eurobonds issued by the Turkish government	124,628	-	4.63%-12.38%	59,440	15.75%	5.75%-6.57%
Total available for sale securities at fair value	1,234,787			1,621,207		
Available-for-sale securities at cost						
Equity instruments –listed	1,830	-	-	-	-	-
Equity instruments –unlisted	89	-	-	75	-	-
Total available for sale securities	1,236,706			1,621,282		
Debt instruments						
Turkish government bonds	797,771	18.64%-19.06%	-	-	-	-
Turkish treasury bills	3,745	17.77%	-	1,625	20.78%	-
Eurobonds issued by the Turkish government	17,295	-	4.25%-11.75%	6,114	-	5.86%
Total held-to-maturity securities	818,811			7,739		
Total investment securities	2,055,517			1,629,021		

Loaned Securities:

Carrying value of debt instruments given as collateral under repurchase agreements, which are included in the related portfolio are:

	December 31, 2008	December 31, 2007
Financial assets at fair value through profit and loss	-	-
Available-for-sale securities	-	993,845
Held-to-maturity securities	206,829	-
Carrying value of securities given as collateral under repos	206,829	993,845
Related liability	201,744	909,337

Unlisted equity securities classified as available-for-sale securities represent the Group's equity holdings in the companies, shares of which are not publicly traded. Consequently they are reflected at cost less reserve for impairment, if any, as a reliable estimate of their fair values could not be made.

As of December 31, 2008, government securities with carrying values of TRY 473,660 (December 31, 2007 - TRY 174,936) are pledged to the Central Bank and the İMKB Takas ve Saklama Bankası Anonim Şirketi (Istanbul Stock Exchange Clearing and Custody Incorporation) and Vadeli İşlem Opsiyon Borsası (Turkish Derivatives Exchange) for regulatory requirements and as a guarantee for stock exchange, money market operations and derivatives.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND INVESTMENT SECURITIES (continued)

TRY 1,043,505 (December 31, 2007 - TRY 1,037,340) of debt securities included in the trading, investment and loaned securities portfolios have floating interest rates, whereas the rest of the debt securities have fixed interest rates.

The Group has not reclassified any financial asset as one measured at amortized cost rather than at fair value during the year (December 31, 2007 - nil).

Gains and losses from investment securities arise from derecognition of available-for-sale and held-to-maturity securities.

The movement in investment securities (including those classified as loaned securities) is summarized as follows:

	December 31, 2008			December 31, 2007		
	Available-for-sale	Held-to-maturity	Total	Available-for-sale	Held-to-maturity	Total
At January 1	1,621,282	7,739	1,629,021	1,555,904	11,057	1,566,961
Exchange differences	28,031	889	28,920	-	(1,629)	(1,629)
Transfers	(780,466)	780,466	-	-	-	-
Additions	670,564	-	670,564	674,887	-	674,887
Disposals (sale and redemption)	(250,807)	(4,534)	(255,341)	(654,495)	(1,597)	(656,092)
Changes in fair value	(51,898)	34,251	(17,647)	44,986	(92)	44,894
At December 31	1,236,706	818,811	2,055,517	1,621,282	7,739	1,629,021

The Bank transferred certain government debt securities included in its available-for-sale portfolio with notional amount of TRY 741,340 to its held-to-maturity portfolio due to a change in the intention. The fair value of securities at the transfer date amounted to TRY 763,520. The unrealized losses of TRY 7,465 recorded under equity at the transfer date will be amortized and transferred to profit and loss until the maturity of these securities. As of December 31, 2008, the balance of the unrealized losses under equity related to these securities amounted to TRY 6,659.

6. LOANS AND RECEIVABLES

	December 31, 2008			December 31, 2007		
	Amount	Effective interest rate		Amount	Effective interest rate	
		New Turkish Lira	Foreign Currency		New Turkish Lira	Foreign Currency
Corporate	4,612,756	16.32%-63.00%	3.31%-18.60%	3,900,781	16.25%-59.40%	4.20%-18.60%
Small business	2,833,482	16.32%-63.00%	4.03%-22.80%	2,437,017	25.80%	7.89%
Consumer	1,183,408	16.32%-80.99%	4.08%-13.80%	981,190	17.10%-81.00%	3.72%-13.20%
Credit cards	485,731	52.68%-61.68%	-	264,400	47.40%-74.40%	-
Other	16,358	16.75%-31.40%	-	30,256	17.10%-32.00%	-
Total performing loans	9,131,735			7,613,644		
Loans in arrears	208,345			121,508		
Less: Allowance for individually impaired loans	(96,351)			(73,056)		
Less: Allowance for collectively impaired loans	(93,324)			(52,785)		
Total	9,150,405			7,609,311		

Loans and receivables amounting to TRY 4,051,084 have floating interest rates and the rest have fixed interest. (December 31, 2007 – TRY 2,869,116)

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

6. LOANS AND RECEIVABLES (continued)

The portfolio reserve for impairment is provided based on past experience, management's assessment of current economic condition, the quality and inherent risk in the credit portfolio of the Group.

December 31,2008	Corporate	Small Business	Consumer	Credit Cards	Other	Total
Neither past due nor impaired	4,601,997	2,811,071	1,173,340	446,988	16,358	9,049,754
Past due not impaired	10,759	22,411	10,068	38,743	-	81,981
Individually impaired	38,548	96,094	26,643	47,060	-	208,345
Total gross	4,651,304	2,929,576	1,210,051	532,791	16,358	9,340,080
Less: allowance for individually impaired loans	(17,869)	(43,182)	(12,108)	(23,192)	-	(96,351)
Less: allowance for collectively impaired loans	(29,900)	(22,224)	(12,905)	(28,295)	-	(93,324)
Total allowance for impairment	(47,769)	(65,406)	(25,013)	(51,487)	-	(189,675)
Total net	4,603,535	2,864,170	1,185,038	481,304	16,358	9,150,405

December 31,2007	Corporate	Small Business	Consumer	Credit Cards	Other	Total
Neither past due nor impaired	3,893,839	2,420,756	974,176	237,373	30,256	7,556,400
Past due not impaired	6,943	16,260	7,014	27,027	-	57,244
Individually impaired	72,723	17,621	20,176	10,988	-	121,508
Total gross	3,973,505	2,454,637	1,001,366	275,388	30,256	7,735,152
Less: allowance for individually impaired loans	(42,411)	(17,786)	(8,171)	(4,688)	-	(73,056)
Less: allowance for collectively impaired loans	(20,627)	(12,490)	(10,277)	(9,391)	-	(52,785)
Total allowance for impairment	(63,038)	(30,276)	(18,448)	(14,079)	-	(125,841)
Total net	3,910,467	2,424,361	982,918	261,309	30,256	7,609,311

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

6. LOANS AND RECEIVABLES (continued)

A reconciliation of the allowance for individual impairment losses on loans and receivables by classes is as follows;

December 31,2008	Corporate	Small Business	Consumer	Credit Cards	Total
At January 1	42,411	17,786	8,171	4,688	73,056
Charge for the year	16,324	48,052	16,434	27,279	108,089
Recoveries	(1,647)	(7,541)	(5,915)	(4,688)	(19,791)
Sale of non performing loans (*)	(39,665)	(15,115)	(6,470)	(4,087)	(65,337)
Amounts written off	-	-	(112)	-	(112)
Exchange difference	446	-	-	-	446
At December 31	17,869	43,182	12,108	23,192	96,351

December 31,2007	Corporate	Small Business	Consumer	Credit Cards	Total
At January 1	21,754	3,399	1,887	706	27,746
Charge for the year	21,394	14,970	6,284	4,115	46,763
Recoveries	(635)	-	-	-	(635)
Amounts written off	(102)	(583)	-	(133)	(818)
Exchange difference	-	-	-	-	-
At December 31	42,411	17,786	8,171	4,688	73,056

(*) TRY 76,187 of the non-performing loans portfolio of the Bank with TRY 66,374 provision has been sold to Girişim Varlık Yönetim A.Ş., a third party asset management company operating in Turkey, for TRY 10,850. This balance has been collected as of July 31, 2008 with the completion of the necessary procedures, and the related non-performing loans have been written off from the records. The profit in the amount of TRY 1,037 has been netted off from sales of non performing loans.

Movements in the reserve for impairment on loans and receivables:

	December 31, 2008	December 31, 2007
Reserve at beginning of year	125,841	48,894
Provision for impairment	141,379	79,587
Recoveries	(19,791)	(635)
Provision net of recoveries	121,588	78,952
Loans written off during the year	(65,449)	(818)
Exchange differences	7,695	(1,187)
Reserve at the end of the year	189,675	125,841

Loans in arrears represent impaired loans and receivables on which interest is not being accrued and loans overdue generally for more than 90 days for which interest is suspended.

The fair value of collaterals, capped with the respective outstanding loan balance, that the Group holds relating to loans individually determined to be impaired at December 31, 2008 is TRY 70,356 (December 31, 2007-TRY 35,438).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

6. LOANS AND RECEIVABLES (continued)

Collateral and credit enhancements obtained during the year by taking possession,

December 31, 2008	Corporate	Small Business	Consumer	Credit Cards	Other	Total
Residential, commercial or industrial property	3,953	810	269	-	-	5,032
Financial assets	-	-	-	-	-	-
Other	16	-	-	-	-	16
Total (IFRS 7.38)	3,969	810	269	-	-	5,048

The Group employs independent appraisers in determining the current fair values of its real estates. Provision for impairment loss amounting to TRY 1,544 is booked for real estates held for resale as per the appraisals performed as of December 31, 2008 (December 31, 2007 – nil).

December 31, 2007	Corporate	Small Business	Consumer	Credit Cards	Other	Total
Residential, commercial or industrial property	2,980	153	81	-	49	3,263
Financial assets	-	-	-	-	-	-
Other	16	-	-	-	-	16
Total (IFRS 7.38)	2,996	153	81	-	49	3,279

Aging analysis of past due but not impaired loans per class of financial statements:

December 31, 2008	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
Corporate lending	857	1,523	8,379	-	10,759
Small business lending	7,270	8,900	6,241	-	22,411
Consumer lending	3,998	4,485	1,585	-	10,068
Credit cards	37,317	1,386	40	-	38,743
Other	-	-	-	-	-
Total	49,442	16,294	16,245	-	81,981

December 31, 2007	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
Corporate lending	2,545	1,945	2,453	-	6,943
Small business lending	4,542	7,619	4,099	-	16,260
Consumer lending	2,296	3,607	1,111	-	7,014
Credit cards	10,811	12,069	4,147	-	27,027
Other	-	-	-	-	-
Total	20,194	25,240	11,810	-	57,244

Of the total aggregate amount of gross past due but not yet impaired loans and receivables, the fair value of collaterals, capped with the respective outstanding total past due and not past due loan balances of the customer, that the Group held as at December 31, 2008 was TRY 517,749 (December 31, 2007- TRY 155,536).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

7. FACTORING RECEIVABLES AND PAYABLES

	December 31, 2008			December 31, 2007		
	Amount	Effective interest rate		Amount	Effective interest rate	
		New Turkish Lira	Foreign Currency		New Turkish Lira	Foreign Currency
Factoring receivables	464,992	20.15%-56.64%	4.75%-11.27%	480,823	16.93%-47.79%	3.53%-10.32%
Receivables in arrears	6,645			3,174		
Less: Reserve for impairment	(5,460)			(3,532)		
Less: Deferred income	(3,705)			(3,956)		
Net factoring receivables	462,472			476,509		
Factoring payables	(142,829)			(169,605)		
Funds in use, net	319,643			306,904		

Factoring receivables of TRY 162,032 have floating interest rates and the rest have fixed interest. (December 31, 2007 - nil)

Movements in the reserve for impairment:

	December 31, 2008	December 31, 2007
Reserve at beginning of year	3,532	2,562
Provision for impairment	2,144	1,029
Recoveries	(216)	(59)
Provision net of recoveries	1,928	970
Reserve at end of the period (year)	5,460	3,532

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

8. MINIMUM LEASE PAYMENTS RECEIVABLE

	December 31, 2008	December 31, 2007
Not later than 1 year	304,633	217,597
Later than 1 year but not later than 5 years	348,882	252,280
Later than 5 years	12,379	3,189
Minimum lease payments receivable, gross	665,894	473,066
Less: Unearned interest income	(98,758)	(76,150)
Net investment in financial leases	567,136	396,916
Lease receivables in arrears	15,838	11,825
Less : Reserve for impairment	(7,981)	(5,975)
Minimum lease payments receivable, net	574,993	402,766

Net investment in financial leases is analyzed as follows:

	December 31, 2008	December 31, 2007
Not later than 1 year	252,930	178,987
Later than 1 year but not later than 5 years	301,827	216,499
Later than 5 years	12,379	1,430
Total	567,136	396,916

As of December 31, 2008 and 2007, TRY 568,763 and TRY 413,683 of gross lease receivables are denominated in foreign currencies (mainly USD and EUR), respectively. The average interest rates are between 4.64% and 7.55% (December 31, 2007 - 5.55% to 16.23%) for foreign currency and average interest rates are between 16.58% and 18.50% (December 31, 2007 - 28.57%) for TRY denominated receivables. Financial lease receivables have fixed interest rates.

Movements in the reserve for impairment:

	December 31, 2008	December 31, 2007
Reserve at beginning of year	5,975	3,436
Provision for impairment	4,890	3,647
Recoveries	(268)	(506)
Provision net of recoveries	4,622	3,141
Minimum lease payments receivable written off during the year	(2,616)	(602)
Reserve at end of the year	7,981	5,975

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

9. PREMISES AND EQUIPMENT

	Land and Buildings	Motor Vehicles	Furniture, Office Equipment, Leasehold Improvements	Total
At January 1, 2007, net of accumulated depreciation	19,613	178	77,403	97,194
Additions	34,634	328	84,321	119,283
Disposals	-	(16)	(1,099)	(1,115)
Depreciation charge for the year	(381)	(149)	(27,190)	(27,720)
Exchange adjustment	(543)	(6)	(13)	(562)
At December 31, 2007/January 1, 2008, net of accumulated depreciation	53,323	335	133,422	187,080
Additions	-	236	64,374	64,610
Disposals	(40,542)	(12)	(242)	(40,796)
Depreciation charge for the year	(392)	(72)	(40,175)	(40,639)
Exchange adjustment	1,549	42	9	1,600
At December 31, 2008, net of accumulated depreciation	13,938	529	157,388	171,855
At December 31, 2007				
Cost	57,103	644	260,541	318,288
Accumulated depreciation	(3,780)	(309)	(127,119)	(131,208)
Net carrying amount	53,323	335	133,422	187,080
At December 31, 2008				
Cost	18,295	839	321,363	340,497
Accumulated depreciation	(4,357)	(310)	(163,975)	(168,642)
Net carrying amount	13,938	529	157,388	171,855

As of December 31, 2008 the cost of fully depreciated items equals TRY 88,806 (December 31, 2007 - TRY 74,974).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

10. INTANGIBLE ASSETS

	Goodwill	Software Licenses and Other	Total
At January 1, 2007, net of accumulated amortization	1,205	6,676	7,881
Additions	-	4,810	4,810
Disposals	-	(9)	(9)
Amortization charge for the year	-	(3,774)	(3,774)
Exchange adjustment	-	(12)	(12)
At December 31, 2007, net of accumulated amortization	1,205	7,691	8,896
Additions	-	9,881	9,881
Disposals	-	(872)	(872)
Amortization charge for the year	-	(5,079)	(5,079)
Exchange adjustment	-	35	35
At December 31, 2008, net of accumulated amortization	1,205	11,656	12,861
At December 31, 2007			
Cost (gross carrying amount)	1,205	25,508	26,713
Accumulated amortization	-	(17,817)	(17,817)
Net carrying amount	1,205	7,691	8,896
At December 31, 2008			
Cost (gross carrying amount)	1,205	34,772	35,977
Accumulated amortization and impairment	-	(23,116)	(23,116)
Net carrying amount	1,205	11,656	12,861

Goodwill relates to the acquisition of the minority (17.5%) shares of TEB Portföy by TEB Yatırım from ABN Amro Bank N.V. in the year 2005.

The cost of fully amortized items equals TRY 15,886 as of December 31, 2008 (December 31, 2007 - TRY 11,306).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

11. OTHER ASSETS

	December 31, 2008	December 31, 2007
Cheque clearing accounts	113,780	195,113
Other transitory accounts	42,726	21,797
Advances given to suppliers	2,044	3,424
Equipment to be leased	6,171	37,279
Prepaid expenses	25,249	17,433
Prepaid income and other taxes	22,280	5,649
Assets held for resale	5,048	3,279
Collaterals for derivatives	57,218	9,198
Others	83,824	31,683
Total	358,340	324,855

The Group purchases machinery and equipment from foreign and domestic vendors in relation to the financial lease agreements signed in the current year for projects in progress of its customers, which will be completed in the subsequent periods. As of December 31, 2008 and 2007, the leased equipment balance includes cost of the equipment to be leased as described above together with the related expenses.

Assets held for resale, net of impairment provision amounting to TRY 1,544 comprise land, building and vehicles which are acquired from defaulted loan customers and are held for disposal through sale (31 December 2007: nil).

12. DEPOSITS

Deposits from other banks

	December 31, 2008			December 31, 2007		
	Amount	Effective interest rate		Amount	Effective interest rate	
		New Turkish Lira	Foreign Currency		New Turkish Lira	Foreign Currency
Demand	49,530	-	-	152,830	-	-
Time	220,732	12.75%-23.50%	1.25%-5.76%	368,209	13.25%-18.50%	2.75%-5.40%
Total	270,262			521,039		

Customers' deposits

	December 31, 2008			December 31, 2007		
	Amount	Effective interest rate		Amount	Effective interest rate	
		New Turkish Lira	Foreign currency		New Turkish Lira	Foreign Currency
Saving						
Demand	680,048	-	4.90%	365,573	1.00%-5.00%	0.75%-5.00%
Time	5,487,036	10.00%-25.17%	1.70%-8.00%	3,937,861	10.00%-21.00%	2.00%-20.00%
	6,167,084			4,303,434		
Commercial and other						
Demand	1,079,090	14.75%	1.00%-5.54%	1,053,320	1.00%-7.00%	0.75%-5.31%
Time	2,979,450	10.00%-28.00%	1.00%-8.00%	2,306,387	10.00%-19.35%	2.00%-7.75%
	4,058,540			3,359,707		
Total	10,225,624			7,663,141		

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

12. DEPOSITS (continued)

Included in customer accounts were deposits of TRY 329,848 (December 31, 2007 - TRY 337,922) held as collateral for cash and non-cash loans given.

Other money market deposits

	December 31, 2008			December 31, 2007		
	Amount	Effective interest rate		Amount	Effective interest rate	
		New Turkish Lira	Foreign Currency		New Turkish Lira	Foreign Currency
Obligations under repurchase agreements:						
-Due to customers and other financial institutions	145,600	15.05%-16.75%	-	585,749	12.21%-16.12%	-
-Due to banks	56,144	15.05%-16.75%	-	323,588	16.20%-17.15%	-
	201,744			909,337		

Deposits and other money market deposits amounting to TRY 8,344 have floating interest rates and the rest have fixed interest. (December 31, 2007 – TRY 19,005)

13. FUNDS BORROWED

	December 31, 2008		
	Amount	Effective interest rate	
		New Turkish Lira	Foreign currency
Short-term			
Fixed interest	2,557,970	14.00%-18.30%	2.74%-7.84%
Floating interest	143,704	16.18%	1.49%-5.13%
Medium/long-term			
Fixed interest	409,602	-	4.41%-4.56%
Floating interest	216,009	-	5.08%
Fixed interest subordinated loan	231,130	-	6.10%
Floating interest subordinated loan	257,961	-	6.30%-7.23%
Total	3,816,376		

	December 31, 2007		
	Amount	Effective interest rate	
		New Turkish Lira	Foreign currency
Short-term			
Fixed interest	1,285,267	13.00%-19.55%	4.87%-6.17%
Floating interest	608,027	13.00%-16.00%	4.89%-6.63%
Medium/long-term			
Fixed interest	253,630	-	4.00%-4.52%
Floating interest	237,280	-	5.37%-7.64%
Fixed interest subordinated loan	187,939	-	6.10%
Floating interest subordinated loan	196,184	-	8.06%-8.83%
Total	2,768,327		

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

13. FUNDS BORROWED (continued)

Repayment plan of medium and long-term borrowings is as follows:

	December 31, 2008		December 31, 2007	
	Fixed rate	Floating rate	Fixed rate	Floating rate
2009	-	-	71,231	69,814
2010	104,276	40,658	92,302	46,044
2011	110,630	112,195	7,295	91,452
2012	70,451	25,089	2,964	-
2013	17,123	30,828	3,236	23,544
2014 and thereafter	338,252	265,200	264,541	202,610
Total	640,732	473,970	441,569	433,464

The Bank has signed an agreement with the International Finance Corporation (IFC) on July 17, 2002, for a subordinated loan of USD 15 million. The maturity of the loan is October 15, 2011 and interest rate is Libor+2.85%.

The Bank has signed another agreement with the IFC on June 27, 2005, for a subordinated loan. The facility is a USD 50 million subordinated loan, with a maturity of July 15, 2015 and an interest rate of Libor+3.18%.

The Bank has signed an agreement with the Economy Luxembourg S.A on October 27, 2006 for a subordinated loan. The facility is a EUR 110 million subordinated loan, with a maturity of October 31, 2016, and an interest rate of 6.10%.

The Bank has obtained a primary subordinated loan by issuing a bond amounting to USD 100 million as of July 31, 2007. The investor of the said bond is IFC International Finance Corporation (IFC). The maturity of the borrowing is indefinite with semi-annually interest payment. The interest rate is defined as 6 month Libor+3.5% until July 31, 2017. In case the borrowed amount is not repaid at that date, the interest rate will be revised as 6 month Libor+ 5.25%.

As of December 31, 2008, the Bank has a syndication loan of EUR 142,000,000 and USD 60,000,000, with a maturity of November 26, 2009, under foreign borrowings obtained on December 4, 2008.

Funds borrowed are unsecured.

The Group has not had any defaults of principal, interest or redemption amounts or other breaches of loan covenants during 2008 (December 31, 2007 - nil).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

14. OTHER LIABILITIES AND PROVISIONS

	December 31, 2008	December 31, 2007
Other liabilities		
Other transitory accounts	128,791	141,287
Payables to credit card member firms	105,109	59,809
Payables regarding bonus card transactions (*)	93,449	56,774
Cheque clearing account	81,902	195,113
Taxes and compulsory contributions other than on income	49,578	35,511
Bonus premium accrual	23,543	-
Trade and other payables	12,761	16,391
Unused vacation pay liability	8,661	7,878
Advances taken	6,593	6,224
Blocked bank cheques	6,096	20,962
Payment orders	2,962	863
Others	33,662	39,005
	553,107	579,817
Provisions		
Provision for tax litigation (**)	14,711	-
Employee termination benefits	13,795	11,187
Portfolio reserve for non-cash loans	5,744	3,067
	34,250	14,254
Total	587,357	594,071

(*) Bonus card is a type of credit card that facilitates customers to make installment payments.

(**) The provision for possible tax disputes that may occur in the future, based on the evaluation of uncertain tax positions.

Employee Termination Benefits

In accordance with existing social legislation, the Bank and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay (limited to a maximum of TRY 2.173 (in full TRY) and TRY 2.030 (in full TRY) at December 31, 2008 and 2007, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. In the financial statements as of December 31, 2008 and 2007, the Group reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield on government bonds at the balance sheet date. The annual ceiling has been increased to TRY 2.260 effective from January 1, 2009.

The principal actuarial assumptions used in the calculation of the total liability at the balance sheet dates are as follows:

	December 31, 2008	December 31, 2007
Discount rate	12.0 %	11.0 %
Expected rates of inflation	5.4 %	5.0 %

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

14. OTHER LIABILITIES AND PROVISIONS (continued)

Movements in the present value of the defined benefit obligations in the current period were as follows:

	December 31, 2008	December 31, 2007
Opening defined benefit obligation	11,187	7,516
Current service cost	2,280	1,018
Interest cost	1,190	750
Settlement cost	458	-
Actuarial (gains)/ losses	(168)	3,345
Benefits paid	(1,152)	(1,442)
Closing defined benefit obligation, recognized in the balance sheet	13,795	11,187

Amounts recognized in profit and loss in respect of defined benefit plan are as follows:

	December 31, 2008	December 31, 2007
Current service cost	2,280	1,018
Interest cost	1,190	750
Settlement cost	458	-
Amortization of unrecognized net (gain)/loss	(168)	3,345

15. INCOME TAXES

Corporate Tax

The Group is subject to corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on each company's results for the period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rates of tax are as follows: 20% in 2008 and 2007.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was 20% for 2008 (2007: 20%).

Losses are allowed to be carried for maximum 5 years to be deducted from the taxable profits of the following years. However, losses incurred cannot be deducted from the profits incurred in the prior years retrospectively.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1st and 25th of the fourth month following the close of the fiscal year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within the following five years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes on dividends distributed, if any, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax was 10% starting from April 24, 2003. This rate was changed to 15% with the Decree of the Council of Ministers of the Republic (Decree No. 2006/10731) commencing from July 23, 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to April 24, 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the Group. The investments without investment incentive certificates do not qualify for tax allowance.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

15. INCOME TAXES (continued)

Investment incentive certificates are revoked commencing from January 1, 2006. If companies cannot use investment incentive due to inadequate profit, such outstanding investment incentive can be carried forward to following years as of December 31, 2005 so as to be deducted from taxable income of subsequent profitable years. However companies can deduct carried forward outstanding allowance from 2006, 2007 and 2008 taxable income. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to following years.

The tax rate that companies can use in case of deducting tax investment incentive amount in 2006, 2007 and 2008 is 30%. If companies choose not to use the investment incentive carried forward, the effective tax rate will be 20% and the unused investment incentive will be cancelled.

As the management of the Group does not plan to use the investment incentive, the corporate tax rate applied is 20% as of December 31, 2008.

As of December 31, 2008, effective tax rate of the consolidated foreign subsidiaries established in the Netherlands is 25.5% (December 31, 2007 - 25.5%).

As of December 31, 2008 and 2007 advance income taxes are netted off with the current income tax liability as stated below:

	December 31, 2008	December 31, 2007
Income tax liability	15,829	80,980
Advance income taxes	(15,173)	(69,593)
	656	11,387

Major components of income tax expense for the year ended December 31, 2008 and 2007 are:

	December 31, 2008	December 31, 2007
Consolidated income statement		
Current income tax		
Current income tax (charge)/benefit	29,518	(80,915)
Deferred income tax		
Relating to origination and reversal of temporary differences	(21,846)	42,088
Income tax (charge)/benefit reported in consolidated income statement	7,672	(38,827)

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

15. INCOME TAXES (continued)

Reconciliation between tax expense and the product of accounting profit multiplied by the statutory income tax rate of the parent for the year ended December 31, 2008 and 2007 are as follows: :

	December 31, 2008	December 31, 2007
Profit before income tax	182,478	179,509
At Turkish statutory income tax rate of 20%	(36,496)	(35,902)
Income not subject to tax	6,219	248
Recovered tax related to previous years due to inflation accounting (*)	41,207	-
Other, net (including effects of disallowables, permanent differences and different tax rates applied in different jurisdictions)	(3,258)	(3,173)
Income tax	7,672	(38,827)

- (*) As a result of a lawsuit opened against the Ministry of Finance of the Turkish Republic (“Ministry”) based on the requirement about the deduction of losses arising from the capital decrease in the financial statements of the Bank dated December 31, 2001 based on the Temporary Article 4 with the law numbered 4743 added to the Banking Law No: 4389 that is ceased to be effective on November 1, 2005, by using the statutory and optional reserves as an expense in determining the banks’ profit within the framework set out in Paragraph 7 of Article 14 of the annulled Corporate Tax Law No: 5422, the Bank has settled its tax reimbursement issue with the Ministry based on Article 3 of Law No: 5736 “Collection of Some Government Receivables by Compromise Procedures” published in the Official Gazette No: 26800 on February 27, 2008, and it has reflected its receivable amounting to TRY 41,207 in its financial statements, which became collectible with the notification to the Bank by the Ministry in regards to the decision made on the settlement of this reimbursement by deducting that receivable amount from other taxes payable to the extent that 65% of the losses arising from year 2001 inflation accounting adjustment should be taken into account.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

15. INCOME TAXES (continued)

Deferred income tax

Deferred income tax at December 31, 2008 and 2007 relates to the following:

	Consolidated Balance Sheet		Consolidated Income Statement	
	2008	2007	2008	2007
Deferred income tax liabilities				
Difference between tax and reporting bases of premises and equipment and intangible assets	4,731	4,177	554	1,544
Others	12,988	1,265	11,798	1,236
Gross deferred income tax liabilities	17,719	5,442	12,352	2,780
Deferred income tax assets				
Impairment provisions	18,299	11,971	6,328	7,351
Effect of valuation of derivatives and hedge accounting	12,872	43,783	(30,911)	34,193
Valuation differences of trading and investment securities	14,969	885	14,084	384
Employee termination benefits and vacation pay liability	4,491	3,815	676	1,020
Others	1,858	2,198	(340)	(1,217)
Gross deferred income tax assets	52,489	62,652	(10,163)	41,731
Deferred income tax asset, net	34,770	57,210	(22,515)	38,951
			2008	2007
Deferred income tax credit (charge) recognized in equity			(669)	(3,137)
Deferred income tax credit (charge) recognized in income statement, net			(21,846)	42,088

Reflected as:

	December 31, 2008	December 31, 2007
Deferred tax asset	34,993	57,222
Deferred tax liability	223	12

Movement of net deferred tax asset can be presented as follows:

	December 31, 2008	December 31, 2007
Balance at January 1	57,210	18,259
Foreign exchange effect	75	-
Deferred income tax credit (charge) recognized in income statement	(21,846)	42,088
Deferred income tax credit (charge) recognized in equity	(669)	(3,137)
Balance at year-end	34,770	57,210

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

16. DERIVATIVES

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards, swaps, futures and options.

The table below shows the fair values of derivative financial instruments. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

	December 31, 2008			December 31, 2007		
	Fair value assets	Fair value liabilities	Notional amount in New Turkish Lira equivalent	Fair value assets	Fair value liabilities	Notional amount in New Turkish Lira equivalent
Derivatives held-for-trading						
Forward contracts	60,096	63,641	2,776,836	37,374	34,245	2,023,401
Currency swap contracts	13,347	55,881	2,272,428	3,783	40,215	1,160,837
Cross currency swap contracts	2,623	11,360	210,982	-	153,099	1,134,401
Interest rate swap contracts	161	1,116	92,768	1,533	32,583	14,682
Call & put option contracts	9,309	5,595	688,918	2,342	2,186	811,327
Other	-	38,654	803,128	-	187	363,151
	85,536	176,247	6,845,060	45,032	262,515	5,507,799

Fair value hedges

As of July 1, 2008, the Bank has started to apply 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. (December 31, 2007 - nil)

	December 31, 2008			December 31, 2007		
	Fair value assets	Fair value liabilities	Notional amount in New Turkish Lira equivalent	Fair value assets	Fair value liabilities	Notional amount in New Turkish Lira equivalent
Derivatives used for hedging purposes						
Cross currency swap contracts	47,436	51,553	802,465	-	-	-
Interest rate swap contracts	8,988	16,058	200,000	-	-	-
	56,424	67,611	1,002,465	-	-	-

Cash flow hedges

As of December 31, 2008, the Group has no cash flow hedges. (December 31, 2007 - nil)

Hedge of net investment in foreign operations

As of December 31, 2008, the Group has no net investment hedges. (December 31, 2007 - nil)

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

17. SHARE CAPITAL

	December 31, 2008	December 31, 2007
Total number of shares, TRY 1.00 (full TRY) par value	1,100,000 Thousand	755,000 Thousand

Shares traded on the Istanbul Stock Exchange are in the form of units of two shares with a combined nominal value of TRY 1.00 (full TRY) each.

As of December 31, 2008 and 2007, the Bank's historical subscribed and issued share capital was TRY 1,100,000 and TRY 755,000, respectively.

As of December 31, 2008 and 2007, the composition of shareholders and their respective ownerships are summarized below:

	December 31, 2008		December 31, 2007	
	Amount	%	Amount	%
TEB Mali Yatırımlar A.Ş.	926,796	84.25	636,119	84.25
Publicly traded	171,966	15.63	118,018	15.63
Other shareholders	1,238	0.12	863	0.12
	1,100,000	100.00	755,000	100.00
Inflation restatement effect	926		926	
Total	1,100,926		755,926	

7% of the Bank's remaining net income after tax subsequent to deducting legal reserves and first dividends, corresponding to the Bank's 60,000 shares of TRY 30 (in full TRY) is distributed to the founder shares.

The Bank's paid-in share capital was increased to TRY 1,100,000 on September 26, 2008 in cash. The shares corresponding to the unused preemptive rights were sold in the Istanbul Stock Exchange (ISE) for TRY 2,041 and the premium in excess of par value amounting to TRY 422 was recorded under equity.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

18. LEGAL RESERVES, RETAINED EARNINGS AND DIVIDENDS PAID AND PROPOSED

Movement of Legal Reserves and Retained Earnings

	December 31, 2008			December 31, 2007		
	Legal Reserves	Retained Earnings	Total	Legal Reserves	Retained Earnings	Total
At January 1	36,423	217,028	253,451	28,756	300,763	329,519
Issue of share capital	-	-	-	-	(216,750)	(216,750)
Transfer from retained earnings	10,270	(10,270)	-	7,667	(7,667)	-
Dividends paid	-	-	-	-	-	-
Net profit for the period (year)	-	190,150	190,150	-	140,682	140,682
At December 31	46,693	396,908	443,601	36,423	217,028	253,451

Legal Reserves

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of statutory profits at the rate of 5%, until the total reserve reaches 20% of the entity's share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% of all cash dividend distributions.

Dividends Paid and Proposed

Final dividends are not accounted for until they are ratified at the Annual General Meeting.

As of the date of the authorization of these financial statements, the profit appropriation for 2008 has not been resolved yet.

Movements of Unrealized Gains/ Losses on Available-for-Sale Investments, net of Tax

	December 31, 2008	December 31, 2007
At January 1	2,398	(10,123)
Net unrealised gains on AFS	(3,736)	20,723
Realised (gains) / losses on AFS recycled to income statement on disposal	7,225	(5,065)
Tax effect of net gains on AFS	(669)	(3,137)
At December 31	5,218	2,398

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

19. EARNINGS PER SHARE

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

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

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

(*) In the Extraordinary General Assembly Meeting dated May 31, 2006, the shares with nominal value of TRY 0.5 (full TRY) has been decided to be changed to nominal value of TRY 1.00 (full TRY), based on the amendment in the Turkish Commercial Code No: 5274. Thus, the total number of shares has been declined and 115,600 thousand numbers of shares each with par value of TRY 0.5 (full TRY) has been replaced with 57,800 thousand numbers of shares each with par value of TRY 1.00 (full TRY). Related with this replacement, rights of the shareholders arising from the shares owned are reserved. After the capital increases in June 30, 2006 and the sale of unused pre-emptive rights in August 11, 2006, total number of shares has become 76,500 thousand, each with par value of TRY 1.00 (full TRY).

There is no dilution of shares as of December 31, 2008 and 2007.

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

	December 31, 2008	December 31, 2007
Net profit / (loss) attributable to ordinary shareholders for basic earnings per share	0.2249	0.2425
Weighted average number of ordinary shares (in millions) for basic earnings per share	845,492	580,096

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

20. RELATED PARTY DISCLOSURES

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

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

December 31, 2008:

Related party	Cash loans	Non-cash loans	Funds borrowed	Deposits taken	Deposits with banks	Derivative financial instruments	Other liabilities	Derivative financial instruments	Notional amount of derivative transactions	Interest income	Interest expense	Other operating income	Other operating expense
Direct/Indirect shareholders	953	14,059	1,517,698	189,247	81,280	45,800	1,563	67,195	2,724,130	9,403	149,640	5,126	15,714
Others	10,744	7,573	887,365	836,370	111,249	1,092	-	7,303	419,698	6,569	106,375	2,015	176

December 31, 2007:

Related party	Cash loans	Non-cash loans	Funds borrowed	Deposits taken	Deposits with banks	Derivative financial instruments	Other liabilities	Derivative financial instruments	Notional amount of derivative transactions	Interest income	Interest expense	Other operating income	Other operating expense
Direct/Indirect shareholders	20,862	25,144	661,470	587,446	5,432	278	1,400	474	1,363,285	5,249	119,606	-	4,081
Others	10,425	7,074	584,862	684,332	2,455	5	1,424	-	75,136	4,724	101,530	438	757

No provisions have been recognized in respect of loans given to related parties (December 31, 2007 - nil).

Compensation of Key Management Personnel of the Group

The executive and non-executive members of Board of Directors and management received remuneration and fees totaling approximately TRY 24,634 as of December 31, 2008, (December 31, 2007 – TRY 23,237) comprising mainly of salaries and other short-term benefits.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

21. SALARIES AND EMPLOYEE BENEFITS

	December 31, 2008	December 31, 2007
Wages and salaries	285,702	197,131
Cost of defined contribution plan (employers' share of social security premiums)	38,097	27,980
Bonuses	50,434	19,671
Provision for employee termination benefits	3,760	5,113
Other fringe benefits	43,056	33,419
Total	421,049	283,314

22. OTHER OPERATING EXPENSES

	December 31, 2008	December 31, 2007
Maintenance and various administrative expenses	89,202	59,712
Rent expenses	66,938	47,638
Advertisement expenses	24,725	27,388
Communication expenses	31,783	22,965
Saving Deposit Insurance Fund (SDIF) premiums	8,909	6,152
Total	221,557	163,855

23. NET GAIN/LOSS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2008	December 31, 2007
Remeasurement of foreign currency position	(11,023)	121,842
Derivatives - held for trading fair value	(28,598)	(162,494)
Derivatives – hedging instruments- fair value	38,680	-
Remeasurement of interest-rate risk hedged portfolios	45,757	-
Net gain/loss on securities held for trading	(9,633)	(5,204)
Total	35,183	(45,856)

Gains less losses on trading securities arise primarily from fixed income securities.

24. FEES AND COMMISSIONS INCOME AND EXPENSES

	December 31, 2008	December 31, 2007
Fees and commissions income		
Banking	310,195	191,466
Fund management	34,364	30,200
Brokerage	19,725	22,855
Total	364,284	244,521
Fees and commissions expenses		
Banking	123,383	60,054
Other	12,428	9,791
Total	135,811	69,845

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

25. COMMITMENTS AND CONTINGENCIES

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

	December 31, 2008	December 31, 2007
Letters of guarantee issued	2,535,512	2,138,651
Letters of credit	615,975	855,691
Acceptance credits	51,320	64,002
Other guarantees	217,433	199,055
Total non-cash loans	3,420,240	3,257,399
Other commitments	1,604,915	3,087,472
Credit card limit commitments	760,765	822,708
Letters of guarantee obtained	112,783	105,972
Total	5,898,703	7,273,551

Fiduciary Activities

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

The nominal values of the assets (excluding investment funds) held by the Group in agency or custodian capacities and financial assets under portfolio management amounted to TRY 1,138,946 at December 31, 2008 (December 31, 2007 - TRY 1,027,958). As of December 31, 2008, securities at custody include investment funds with market value of TRY 1,000,713 (December 31, 2007 - TRY 1,129,317)

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

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

As of December 31, 2008, in line with the requirements of IGM, letters of guarantee amounting to USD 410,000 (December 31, 2007 - USD 410,000) had been obtained from local banks and were provided to IGM for transactions conducted in that market.

As of December 31, 2008, according to the general requirements of the ISE, letters of guarantee amounting to TRY 5,679, USD 7,500,000 and EUR 10,000 (December 31, 2007 - TRY 7,029 and USD 10,500,000) had been obtained from various local banks and were provided to ISE for bond and stock market transactions. Additionally, as of December 31, 2008 according to the general requirements, letters of guarantee amounting to TRY 1,313 (December 31, 2007 - TRY 1,313), were given to the Capital Markets Board.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

25. COMMITMENTS AND CONTINGENCIES (continued)

Litigation

In the normal course of its operations, the Group can be constantly faced with legal disputes, claims and complaints. The necessary provision, if any, for those cases are provided based on management estimates and professional advice.

Other

Except for the Head-Office-Istanbul and Izmir-Konak Branch buildings, all branch premises of TEB are leased under operational leases. The lease periods vary between 1 and 10 years and lease agreements are cancelable subject to a period of notice which does not exceed 6 months. There are no restrictions placed upon the lessee by entering into these leases.

26. FINANCIAL RISK MANAGEMENT

Organization of the Risk Management Function

The Group's activities involve some degree of risk or combination of risks. Therefore, procedures and operations throughout the Group are designed towards contributing to effective addressing of matters reflecting the disciplined and prudent risk management culture of the Group. The Group Risk Management supervises the risk management process of the Group.

The risk management process consists of the stages of defining and measuring the risks; establishing the risk policies and procedures and their implementation; and the analysis, review, reporting, research, recognition and assessment of risks within the framework of the basis set by the Board and the Audit Committee.

The mission of the Group Risk Management is to inform Board of Directors, General Management and the Audit Committee of the status of risks to which the Group is exposed and to ensure together with executive management that risks taken by the Group align with its policies and are compatible with its profitability and credit-rating objectives. It compiles regulatory statements and financial reporting regarding risk management and measurement.

Each operating company is required to implement the Group's risk management policies and procedures. There is a designated Risk Officer in each operating company to ensure effective reporting and monitoring.

The Board of Directors determines general credit policies, specific policies and power delegations and sets limits related to fundamental risks being carried by the Group. They have the ultimate responsibility of ensuring that senior management establishes and maintains an adequate and effective system of internal control.

The responsibility of the Audit Committee is to coordinate all the risk management activities within the bank and supervise the parties involved in Internal Control. In doing so, the Committee ensures establishment of an efficient and effective risk management.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

26. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk

The Board of Directors determines general credit policies, specific policies and power delegations and sets limits related to fundamental risks being carried by the Bank and operating companies.

A system of delegated lending limits is established with ultimate authority being vested in the Board through the Credit Committees of the Bank and operating companies. Along with the Credit Committee, Financial Institutions and Country Risk Committee and Retail Banking Credit Validation Committee work as a sub committee on a Group basis.

Credit limits are determined taking into account the borrowers' financial structure, some qualitative criteria and the quality of the guarantees.

The Group uses its own internal rating system, which takes into account various financial and non-financial indicators for the evaluation of corporate and also guarantees. This system helps make decisions of allocating credit limits and accepted guarantees. There also exists collateral rating system based on type and quality of the collaterals.

Counterparty limits are daily monitored on a consolidated basis. In accordance with the Group's credit policy, the ratings of the borrowers, credit limits and collateralization process are collectively considered and credit risks are closely monitored. The credit risks and limits relate to treasury activities, the limits of the correspondent banks that are determined by their ratings and the control of the accepted risk level in relation to equity are monitored on a daily basis.

The credibility of the debtors of the Group is assessed periodically in accordance with the prevailing regulations on lending and provisioning.

In order to control the concentration risk, sectoral limits are imposed and monitored. The large exposure policies set by the Board determine the maximum exposure to individual customers, customer groups and other risk concentrations in an approach which is generally more conservative than the limits set by the regulatory authorities.

The Group Risk Management reports to the Board of Directors and the Audit Committee on a regular basis presenting risk concentrations, specific segments of the portfolio, large exposures, large non-performing accounts and impairment allowances as well as default and recovery rates.

Each operating company is required to implement credit policies, procedures and guidelines in line with the Group standards and is responsible for the quality and performance of its credit portfolio and controlling all credit risks.

After issuing a loan, Credit Monitoring Department of each company constantly monitors the customer's debt servicing credit solvency and the fair value of the collateral. The department has set up its credit monitoring process in a way which quickly helps to identify deviations in the customer's performance from the agreed forecasts, or possible non-compliance by the customer with the agreed terms and conditions of the loan.

A systematic bottom-up credit monitoring approach enables the Group to measure and identify possible problematic loans at an early stage. The Credit Monitoring Division prepares at least monthly a review of the loan servicing history and produces an assessment of the future credit solvency for each large exposure. Through the monitoring process, which is based on the assessment of the loan recovery and the evaluation of the counterparty; the Credit Monitoring and Legal Action Division calculates the amount of risk capital required to cover expected losses and risk for each loan.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

26. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Assessing the customer's recent performance there may be early signs of delinquency or other irregular symptoms detected in an account, warranting a more detailed review of the credit-worthiness and the repayment ability of the customer concerned. If there is a doubt about a customer's loans, the customer is included in a precautionary watch list. It is advised to request additional collateral for such customers. Credit Monitoring Unit has the authority of blocking/unblocking credit lines if there is a defectiveness or insufficient situation.

Group policy requires a review of the level of impairment allowance at least on a quarterly basis. Impairment allowances on individually assessed accounts are determined by evaluation of the exposure on a case by case basis. This will normally include a review of the collateral held and the assessment of actual and anticipated receipts. Additionally, a portfolio based assessment is performed for homogeneous groups of credit.

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.

Netting is a technique used by the Group to mitigate counterparty risks mainly on derivative transactions. The transactions concerned are executed according to the terms of bilateral or multilateral master agreements that comply with the general provisions of international master agreements such as International Swaps and Derivatives Association (ISDA).

An industry sector analysis of the Group's financial assets, non-cash loans and commitments are as follows;

	December 31, 2008	December 31, 2007
Hotels, Tourism, Leisure	1,547	9,082
Finance	956,734	880,148
Banks	3,897,546	2,800,959
Government	2,071,122	1,828,571
Food	1,546,147	1,201,914
Private individuals	2,570,833	1,269,403
Transportation	694,050	625,499
Chemical	582,686	488,921
Wholesaler	914,019	741,546
Automotive	474,785	609,453
Healthcare & Pharmacy	88,439	32,001
Construction & public works	1,124,481	1,003,417
Equipment materials	371,164	311,844
Technology	295,085	238,508
Energy	186,634	130,254
Ores & Materials	5,570,641	3,728,480
Property	27,640	5,787
Others	1,085,784	4,810,735
Total	22,459,337	20,716,522

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

26. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

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

Gross maximum exposure	December 31, 2008	December 31, 2007
Cash and balances with Central Banks (excluding cash on hand)	2,208,006	1,767,617
Deposits with banks and other financial institutions	790,677	783,701
Other money market placements	756,902	204,609
Financial assets at fair value through profit and loss	101,141	244,582
Derivative used for hedging purposes	56,424	-
Available -for-sale financial assets	1,236,706	1,621,282
Held-to-maturity investments	818,811	7,739
Loans and receivables	10,187,870	8,488,586
Remeasurement adjustment on interest-rate risk hedged portfolios	45,757	-
Other assets	358,340	324,855
Total	16,560,634	13,442,971
Contingent liabilities	3,420,240	3,257,399
Commitments	2,478,463	4,016,152
Total	5,898,703	7,273,551
Total credit risk exposure	22,459,337	20,716,522

Credit quality per class of financial assets as of December 31, 2008 and 2007 are as follows;

December 31,2008	Neither past due nor impaired	Past due or individually impaired, net	Allowance for collective impairment	Total
Due from banks	790,677	-	-	790,677
Financial assets designated at fair value through profit or loss	101,141	-	-	101,141
Loans and receivables	9,049,754	193,975	(93,324)	9,150,405
Corporate lending	4,601,997	31,438	(29,900)	4,603,535
Small business lending	2,811,071	75,323	(22,224)	2,864,170
Consumer lending	1,173,340	24,603	(12,905)	1,185,038
Credit Cards	446,988	62,611	(28,295)	481,304
Other	16,358	-	-	16,358
Factoring receivables	461,287	6,645	(5,460)	462,472
Minimum lease payments receivable	552,725	30,249	(7,981)	574,993
Remeasurement adjustment on interest rate risk hedged portfolio	45,757	-	-	45,757
Investment Securities	2,055,517	-	-	2,055,517
Available for sale	1,236,706	-	-	1,236,706
Held to maturity	818,811	-	-	818,811
Total	13,056,858	230,869	(106,765)	13,180,962

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

26. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

December 31,2007	Neither past due nor impaired	Past due or individually impaired, net	Allowance for collective impairment	Total
Due from banks	783,701	-	-	783,701
Financial assets designated at fair value through profit or loss	244,582	-	-	244,582
Loans and receivables	7,556,400	105,696	(52,785)	7,609,311
Corporate lending	3,893,839	37,255	(20,627)	3,910,467
Small business lending	2,420,756	16,095	(12,490)	2,424,361
Consumer lending	974,176	19,019	(10,277)	982,918
Credit Cards	237,373	33,327	(9,391)	261,309
Other	30,256	-	-	30,256
Factoring receivables	476,868	3,173	(3,532)	476,509
Minimum lease payments receivable	391,598	17,143	(5,975)	402,766
Investment Securities	1,629,021	-	-	1,629,021
Available for sale	1,621,282	-	-	1,621,282
Held to maturity	7,739	-	-	7,739
Total	11,082,170	126,012	(62,292)	11,145,890

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

	December 31, 2008	December 31, 2007
Loans and receivables		
Corporate lending	3,222	1,319
Small business lending	-	-
Consumer lending	-	-
Other	-	-
Total	3,222	1,319

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

26. FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements when due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to become unavailable. Liquidity risk occurs when there is insufficient amount of cash inflow to fulfill the cash outflow completely on time.

The Group's policy is to establish a strong liquidity profile of assets that provides comfort in meeting all kinds of liabilities and commitments so that cash flows are appropriately balanced and all funding obligations are met when due.

The management of liquidity and funding is primarily carried out by the operating companies in accordance with the Group liquidity standards and the limits set by the relevant Board of Directors. It is the general policy of the Group that each operating entity should be self sufficient with regard to funding requirements for its own operations.

The Group's liquidity management process includes projections of cash flows, monitoring balance sheet ratios against internal and regulatory requirements, maintaining diverse range of funding sources, managing the concentration risk, managing maturity mismatches and maintaining contingency plans with regard to liquidity and funding.

Asset and Liability Management Committee (ALCO) defines ALM policies and monitor the results weekly. Asset Liability Management (ALM) Department has the responsibility for managing funding on money markets and financial markets from short to medium and long term financing and also provide funds to core business lines at TEB and Economy Bank and to reinvest surplus cash. While conducting asset and liability management, the Group aims to generate a positive margin between the financing cost and product income and an optimum maturity risk.

The main source of funding to cover the liquidity requirements is customer deposits and in addition to this source, borrowings from several credit institutions and banks and professional markets utilizing a range of products, maturities, currencies and counterparties to avoid undue reliance on any particular funding source. Generally the Group does not prefer the liquidity generated from interbank money markets to become the main form of funding and accordingly the Group is generally a net lender in interbank money markets.

The Group Risk Management monitors compliance with policies, limits and indicators in relation to liquidity.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. The most important among these is to maintain limits on the ratio of the Bank's net liquid assets to customer liabilities, set to reflect market conditions. The ratio realized during the year was as follows:

	December 31, 2008 %	December 31, 2007 %
Average during the period	31	28
Highest	42	34
Lowest	25	20

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

26. FINANCIAL RISK MANAGEMENT (continued)

The table below analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at balance sheet date to contractual maturity date.

	Up to 1 Month	1 to 3 Months	3 months to 1 year	Over 1 year	Unallocated	Total
As at December 31, 2008						
Assets:						
Cash and balances with central banks	2,477,071	-	-	-	-	2,477,071
Deposits with banks and other financial institutions and other money market placements	1,543,186	1,021	3,372	-	-	1,547,579
Financial assets at fair value through profit and loss	11,075	11,628	70,614	7,824	-	101,141
Investment securities	2,332	5,304	231,421	1,814,885	1,575	2,055,517
Loans and factoring receivables	4,637,818	877,092	1,807,146	2,222,418	114,160	9,658,634
Minimum lease payments receivable	43,424	40,075	169,306	311,489	10,699	574,993
Derivatives used for hedging purposes	3,163	5,993	1,131	46,137	-	56,424
Premises and equipment	-	-	-	-	171,855	171,855
Intangible assets	-	-	-	-	12,861	12,861
Deferred tax asset	-	-	-	34,993	-	34,993
Other assets	325,109	14,571	12,269	-	6,391	358,340
Total assets	9,043,178	955,684	2,295,259	4,437,746	317,541	17,049,408
Liabilities:						
Deposits from other banks, customers' deposits, funds borrowed and other money market deposits	9,820,791	2,294,073	1,374,349	1,024,793	-	14,514,006
Factoring payables	78,113	43,710	21,006	-	-	142,829
Financial liabilities at fair value through profit and loss	87,428	8,323	75,975	4,521	-	176,247
Derivatives used for hedging purposes	8,283	3,953	1,676	53,699	-	67,611
Other liabilities and provisions	544,398	1,340	4,032	94	37,493	587,357
Income taxes payable	-	165	491	-	-	656
Deferred tax liability	-	-	-	223	-	223
Total liabilities	10,539,013	2,351,564	1,477,529	1,083,330	37,493	15,488,929
Net liquidity gap	(1,495,835)	(1,395,880)	817,730	3,354,416	280,048	1,560,479
As at December 31, 2007						
Total assets	7,409,566	992,653	1,877,788	3,308,834	300,868	13,889,709
Total liabilities	10,193,369	862,140	882,989	945,692	15,244	12,899,434
Net liquidity gap	(2,783,803)	130,513	994,799	2,363,142	285,624	990,275

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

26. FINANCIAL RISK MANAGEMENT (continued)

Analysis of financial liabilities by remaining contractual maturities;

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Adjustments	Total
As of December 31, 2008								
Customers' deposits	1,759,139	7,317,733	776,642	434,622	10,695	-	(73,207)	10,225,624
Deposits from other banks	49,530	218,636	381	2,406	-	-	(691)	270,262
Funds borrowed	-	325,531	1,577,083	1,055,201	609,805	692,731	(443,975)	3,816,376
Other money market deposits	-	201,883	34	-	-	-	(173)	201,744
Total	1,808,669	8,063,783	2,354,140	1,492,229	620,500	692,731	(518,046)	14,514,006
As of December 31, 2007								
Customers' deposits	1,242,391	5,853,024	457,660	122,702	22,011	-	(34,647)	7,663,141
Deposits from other banks	147,409	346,054	28,505	176	-	-	(1,105)	521,039
Funds borrowed	-	1,102,058	283,939	749,135	420,351	582,059	(369,215)	2,768,327
Other money market deposits	-	911,592	-	-	-	-	(2,255)	909,337
Total	1,389,800	8,212,728	770,104	872,013	442,362	582,059	(407,222)	11,861,844

Analysis of contractual expiry by maturity of the Group's some class of derivative financial instruments;

	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Total
As of December 31, 2008						
Hedging Portfolio						
Fair value hedge	58,725	46,293	84,839	342,734	69,947	602,538
Trading Portfolio						
Forward contracts	251,262	218,179	888,352	32,156	-	1,389,949
Currency Swaps	975,687	39,799	198,444	62,600	-	1,276,530
Interest rate swaps	593	409	1,362	1,106	-	3,470
Total	1,286,267	304,680	1,172,997	438,596	69,947	3,272,487
As of December 31, 2007						
Hedging Portfolio						
Fair value hedge	-	-	-	-	-	-
Trading Portfolio						
Forward contracts	321,952	220,215	465,673	1,351	-	1,009,191
Currency Swaps	90,843	68,641	831,830	400,594	77,665	1,469,573
Interest rate swaps	213	544	1,766	3,947	-	6,470
Total	413,008	289,400	1,299,269	405,892	77,665	2,485,234

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

26. FINANCIAL RISK MANAGEMENT (continued)

Market Risk

Market risks arise from changes in interest rates, foreign exchange rates and prices of equities, all of which are exposed to general and specific market movements. The objective of the Group's market risk management is to manage and control market risk exposures in order to optimize return on risk while maintaining the conservative risk profile of the Group.

All trading positions are marked to market on a daily basis in compliance with regulatory requirements determined by BRSA, Capital Markets Board and other authorities. Only securities held to maturity are valued at amortized cost using internal rate of return.

The Board of Directors evaluates the probable risks and accordingly determines limits. Those limits are revised periodically in line with the strategies of the Group. The Board of Directors ensures that the Group Risk Management has taken necessary precautions to identify, evaluate, control and manage risks faced.

The Group Risk Management calculates and follows the VaR amount of portfolios and sets nominal stop loss and position limits for each product.

Currency Risk

The Group evaluates the exposure for the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign currency risk indicates the possibilities of the potential losses that the Group is subject to due to the exchange rate fluctuations in the market.

The Board of Directors sets limits for the positions, which are followed up on a daily basis. Additionally, any possible changes in positions are closely monitored.

Generally, Group companies are not allowed to take foreign exchange risks except for the trading positions of the banks. As a result of the Group's risk management strategies, foreign currency mismatches of assets and liabilities beyond limits are economically hedged against exchange rate risk by using derivative instruments.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

26. FINANCIAL RISK MANAGEMENT (continued)

Currency Risk (continued)

The concentrations of assets, liabilities and off balance sheet items in various currencies are:

	New Turkish Lira	Euro	US Dollars	Other	Total
As at December 31, 2008					
Assets:					
Cash and balances with central banks	536,126	1,003,729	912,951	24,265	2,477,071
Deposits with banks and other financial institutions and other money market placements	741,745	146,718	644,184	14,932	1,547,579
Financial assets at fair value through profit and loss	56,756	1,091	41,146	2,148	101,141
Investment securities	1,881,792	104,689	69,036	-	2,055,517
Loans and receivables, factoring and minimum lease payments receivable and other assets	6,148,057	1,486,162	2,625,378	332,370	10,591,967
Derivatives used for hedging purposes	54,210	-	2,214	-	56,424
Premises and equipment	163,941	7,914	-	-	171,855
Intangible assets	12,300	561	-	-	12,861
Deferred tax asset	34,267	726	-	-	34,993
Total assets	9,629,194	2,751,590	4,294,909	373,715	17,049,408
Liabilities:					
Deposits from other banks, funds borrowed (except subordinated debt) and other money market deposits	2,157,169	990,387	597,269	54,466	3,799,291
Customers' deposits	5,445,327	1,464,169	3,206,914	109,214	10,225,624
Subordinated debt	-	237,093	251,998	-	489,091
Factoring payables	142,700	-	129	-	142,829
Financial liabilities at fair value through profit and loss	96,573	382	74,714	4,578	176,247
Derivatives used for hedging purposes	67,611	-	-	-	67,611
Other liabilities and provisions	566,603	12,182	8,223	349	587,357
Income taxes payable	289	367	-	-	656
Deferred tax liability	223	-	-	-	223
Total liabilities	8,476,495	2,704,580	4,139,247	168,607	15,488,929
Net balance sheet position	1,152,699	47,010	155,662	205,108	1,560,479
Off-balance sheet position					
Net notional amount of derivatives	259,554	138,667	(221,979)	(208,267)	(32,025)
Non-cash loans	1,262,735	735,837	1,154,531	49,704	3,202,807
At December 31, 2007					
Total assets	8,047,106	2,369,299	3,187,995	285,309	13,889,709
Total liabilities	6,314,264	2,373,007	4,085,105	127,058	12,899,434
Net balance sheet position	1,732,842	(3,708)	(897,110)	158,251	990,275
Off-balance sheet position					
Net notional amount of derivatives	(1,073,629)	88,558	941,992	(140,426)	(183,505)
Non-cash loans	1,204,547	593,084	1,205,608	55,105	3,058,344

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

26. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency sensitivity

The Group is mainly exposed to EUR and USD currencies.

The following table indicates in detail the Group's sensitivity to a 10% increase and decrease in the TRY 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 where the TRY strengthens against USD and EUR.

	Change in currency rate in %	Effect on profit or loss		Effect on equity excluding PL	
		Current Period	Prior Period	Current Period	Prior Period
		USD	10 increase	(6,632)	4,488
USD	10 decrease	6,632	(4,488)	99	(57)
EUR	10 increase	18,568	8,485	8,595	5,547
EUR	10 decrease	(18,568)	(8,485)	(8,595)	(5,547)

The Group's sensitivity to foreign currency rates has 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.

Cash Flow and Fair Value Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of a change in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of a change in market interest rates. The Group evaluates the exposure for the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flows. Interest rate risk shows the probability of loss related to the changes in interest rates depending on the position.

Each operating entity is responsible for monitoring and controlling the interest rate risk in line with the Group interest rate risk standards and the limits set by the relevant Board of Directors. The ALCO is responsible of managing interest rate risk at the Bank.

The first principle of the Group regarding interest rate risk is to protect itself from interest rate volatility. All types of sensitivity analysis are calculated by the Group Risk Management and reported to the Board of Directors, ALCO and the Audit Committee.

Maturities of outstanding assets are based on the contractual characteristics of the transactions.

Interest rate sensitivity:

If interest rates had been increased by 0.5% in TRY and FC and all other variables were held constant, the Group's:

- Profit for the year would have changed by TRY 7,826 (December 31, 2007 - TRY 6,643).

The interest rate sensitivity the Group is exposed to due to its balance sheet composition is calculated with the net interest income approach. The net interest income is calculated by using the original interest rates until maturity and using market interest curves until the remaining annualized period subject to analysis. This calculation is re-performed by altering the market interest curves based on rate changes accepted by management. The difference between the initial and re-performed calculation is assessed to be the interest sensitivity of the Group.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

26. FINANCIAL RISK MANAGEMENT (continued)

Cash Flow and Fair Value Interest Rate Risk

The table below summarizes the Group's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the repricing date.

	Up to 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Non-interest bearing	Total
As at December 31, 2008						
Assets :						
Cash and balances with central banks	1,777,838	-	-	-	699,233	2,477,071
Deposits with banks and other financial institutions and other money market placements	1,280,491	1,021	3,372	-	262,695	1,547,579
Financial assets at fair value through profit and loss	553	2,451	11,384	4,708	82,045	101,141
Investment securities	264,169	687,387	327,051	774,991	1,919	2,055,517
Loans and factoring receivables	4,681,774	893,383	1,803,217	2,168,877	111,383	9,658,634
Minimum lease payments receivable	43,424	40,075	169,306	311,489	10,699	574,993
Derivatives used for hedging purposes	3,163	5,993	1,131	46,137	-	56,424
Premises and equipment	-	-	-	-	171,855	171,855
Intangible assets	-	-	-	-	12,861	12,861
Deferred tax asset	-	-	-	-	34,993	34,993
Other assets	-	-	-	-	358,340	358,340
Total Assets	8,051,412	1,630,310	2,315,461	3,306,202	1,746,023	17,049,408
Liabilities:						
Deposits from other banks, customers' deposits, funds borrowed and other money market deposits	8,763,044	2,378,775	1,399,704	577,724	1,394,759	14,514,006
Factoring payables	78,113	43,710	21,006	-	-	142,829
Financial liabilities at fair value through profit and loss	212	53	5,399	1,091	169,492	176,247
Derivatives used for hedging purposes	8,283	3,953	1,676	53,699	-	67,611
Other liabilities and provisions	-	-	-	-	587,357	587,357
Income taxes payable	-	-	-	-	656	656
Deferred tax liability	-	-	-	-	223	223
Total liabilities	8,849,652	2,426,491	1,427,785	632,514	2,152,487	15,488,929
Balance sheet interest sensitivity gap	(798,240)	(796,181)	887,676	2,673,688	(406,464)	1,560,479
As at December 31, 2007						
Total assets	6,499,447	1,630,428	1,792,676	2,350,799	1,616,359	13,889,709
Total liabilities	8,448,737	919,052	855,585	446,384	2,229,676	12,899,434
Net interest sensitivity gap	(1,949,290)	711,376	937,091	1,904,415	(613,317)	990,275

Capital Adequacy

To monitor the adequacy of its capital, the Group uses ratios established by Banking Regulation and Supervision Agency (BRSA). The minimum ratio is 8% (12% for banks operating in offshore markets). These ratios measure capital adequacy by comparing the Group's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. The bank operates in offshore markets. As of December 31, 2008, its capital adequacy ratio on an unconsolidated basis is 17.65% (December 31, 2007 – 14.88%). The Group's consolidated capital adequacy ratio as of December 31, 2008 is 16.47% (December 31, 2007 - 13.30%).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

26. FINANCIAL RISK MANAGEMENT (continued)

Operational Risk

Operational risk is defined as the risk of direct or indirect losses resulting from inadequate and/or failed internal process and systems, arising from negligence or fraud of the staff members or stemming from external events.

Operational risk, which is inherent in all business activities, is associated with human error, system failure and inadequate controls and procedures. Operational risk includes errors and omissions in business activities, internal and external fraud and natural disasters.

The Group's first objective is to achieve all qualitative standards of Basel Committee, by implying policy and procedures, ensuring the strict observance of internal code of conduct and also developing strong internal control culture.

Compliance with legal rules, information security, fraud prevention, contingency planning, business continuity and disaster recovery, and also incident management are the main subjects of the operational risk mitigation controls.

The Compliance Function in Group Companies

The definition of compliance is adherence to statutory and regulatory provisions, professional and ethical standards, guidelines issued by the Board of Directors and Audit Committee and internal rules and procedures.

The Compliance Function is responsible for the coordination of permanent control among the Group in respect of the risk of non-compliance and operational risk. It shares this responsibility with other Functions like Risk Management, Legal, Operations, and Finance for their areas of competence. Its missions and responsibilities and delegations of powers it grants are specified in a responsibilities charter.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Values

Set out below is a comparison by category of carrying amounts and fair values of the Group's major financial instruments that are carried in the financial statements at other than fair values.

	Carrying amount		Fair value	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Financial assets				
Loans and receivables	9,196,162	7,609,311	9,308,122	7,468,742
Investment securities held-to-maturity	818,811	7,739	826,203	7,596
Factoring receivables	462,472	476,509	462,472	476,509
Minimum lease payments receivable	574,993	402,766	577,915	410,715
Financial liabilities				
Deposits from other banks and funds borrowed	4,086,638	3,289,366	4,086,788	3,289,258
Customers' deposits	10,225,624	7,663,141	10,228,861	7,655,283
Other money market deposits	201,744	909,337	201,744	909,364

Loans and Receivables

Loans and receivables are net of provisions for impairment. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008

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

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Investment Securities Held-to-Maturity

Fair value for investments held-to-maturity is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Minimum Lease Payments Receivable

Estimated fair value of lease contracts receivable represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Deposits and Borrowings

The estimated fair value of deposits from other banks and customer deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest bearing deposits and funds borrowed without quoted market price is based on discounted cash flows using interest rates for new deposits and debts with similar remaining maturity.

Fair values of remaining financial assets and liabilities carried at amortized cost, including balances with Central banks, deposits with banks and other financial institutions, other money market placements, factoring receivables and payables are considered to approximate their respective carrying values due to their short-term nature.

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.

December 31, 2008	Quoted market	Valuation techniques – market observable	Valuation techniques – non market observable	Fair value not available
Financial Assets				
Loans and receivables	-	9,308,122	-	-
Investment securities held-to-maturity	826,203	-	-	-
Factoring receivables	-	462,472	-	-
Minimum lease payments receivable	-	577,915	-	-
Financial Liabilities				
Deposits from other banks and funds borrowed	-	4,086,788	-	-
Customers' deposits	-	10,228,861	-	-
Other money market deposits	-	201,744	-	-
December 31, 2007	Quoted market	Valuation techniques – market observable	Valuation techniques – non market observable	Fair value not available
Financial Assets				
Loans and receivables	-	7,468,742	-	-
Investment securities held-to-maturity	7,596	-	-	-
Factoring receivables	-	476,509	-	-
Minimum lease payments receivable	-	410,715	-	-
Financial Liabilities				
Deposits from other banks and funds borrowed	-	3,289,258	-	-
Customers' deposits	-	7,655,283	-	-
Other money market deposits	-	909,364	-	-