

**TÜRK EKONOMİ BANKASI
ANONİM ŞİRKETİ**

**CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
JUNE 30, 2008**

To the Board of Directors of
Türk Ekonomi Bankasi A.S.
Istanbul

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed balance sheet of Türk Ekonomi Bankasi A.S. as of June 30, 2008 and the related condensed statements of income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

DRT BAGIMSIZ DENETIM VE SERBEST MUHASEBECI MALI MUSA VIRLIK A.S.

Member of **DELOITTE TOUCHE TOHMATSU**

Istanbul, September 1, 2008

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TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ**CONSOLIDATED BALANCE SHEET****AS AT JUNE 30, 2008**

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

	Notes	June 30, 2008	December 31, 2007
ASSETS			
Cash and balances with central banks		2,001,857	1,961,157
Deposits with banks and other financial institutions		1,099,320	783,701
Other money market placements		1,871	204,609
Financial assets at fair value through profit and loss		29,321	199,550
Derivative financial instruments		45,544	45,032
Loans and advances		9,318,262	7,609,311
Factoring receivables		484,025	476,509
Minimum lease payments receivable		524,837	402,766
Investment securities:			
- Available-for-sale		1,573,157	627,437
- Held-to-maturity		4,612	7,739
Loaned securities		23,633	993,845
Investment in associates		-	-
Premises and equipment		171,108	187,080
Intangible assets		9,745	8,896
Deferred tax asset		43,958	57,222
Other assets		405,128	324,855
Total assets		15,736,378	13,889,709
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from other banks		258,209	521,039
Customers' deposits		10,217,962	7,663,141
Other money market deposits		22,304	909,337
Derivative financial instruments		155,068	262,515
Factoring payables		99,115	169,605
Funds borrowed:			
- Subordinated debt		572,136	384,123
- Other funds borrowed		2,422,037	2,384,204
Other liabilities		868,999	579,817
Provisions		15,772	14,254
Income taxes payable		1,298	11,387
Deferred tax liability		-	12
Total liabilities		14,632,900	12,899,434
EQUITY			
Equity attributable to equity holders of the parent		1,103,478	990,275
Share capital issued		755,000	755,000
Premium in excess of par		1,736	1,736
Adjustment to share capital		926	926
Unrealized gains/(losses) on available-for-sale investments, net of tax		(25,123)	2,398
Other reserves and retained earnings		370,939	230,215
Minority interest		-	-
Total equity		1,103,478	990,275
Total liabilities and equity		15,736,378	13,889,709

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2008

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

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

**CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED JUNE 30, 2008**

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

	Notes	January 1 – June 30, 2008	January 1 – June 30, 2007
Interest income			
Interest on loans and advances		722,481	528,985
Interest on securities		142,367	134,077
Interest on deposits with banks and other financial institutions		57,755	61,608
Interest on other money market placements		30,758	11,108
Interest on financial leases		28,307	17,729
Other interest income		103	81
Total interest income		981,771	753,588
Interest expense			
Interest on customer deposits		(397,195)	(319,639)
Interest on other money market deposits		(38,230)	(67,863)
Interest on funds borrowed and deposits from other banks		(158,195)	(87,368)
Other interest expense		-	-
Total interest expense		(593,620)	(474,870)
Net interest income		388,151	278,718
Fees and commissions and other operating income			
Fees and commissions income		169,282	106,512
Fees and commissions expenses		(54,819)	(27,199)
Foreign exchange gain		29,801	(18,596)
Gains less losses on trading securities		(7,530)	(1,577)
Gains less losses on investment securities		1,111	3,846
Other income		2,496	991
Net banking income		528,492	342,695
Operating expenses			
Salaries and employee benefits		(215,075)	(129,779)
Other operating expenses		(107,432)	(77,252)
Depreciation and amortization		(21,661)	(14,111)
Taxes other than on income		(25,642)	(7,423)
Gross operating income		158,682	114,130
(Provisions for) / recoveries from impairment of loan, lease, factoring receivables		(51,456)	(34,322)
Net operating income		107,226	79,808
Income from associates		-	-
Gain/(loss) on sale of fixed assets and investments		885	27
Profit from operating activities before income tax		108,111	79,835
Income tax – current		37,098	(42,805)
Income tax – deferred		(20,048)	26,273
Net profit for the year		125,161	63,303
Attributable to :			
Equity holders of the parent		125,161	63,303
Minority interest		-	-
Net profit		125,161	63,303
Earnings per share (full TRY)	7	0.1658	0.6330

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED JUNE 30, 2008

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TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED JUNE 30, 2008**

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

	Attributable to equity holders of the parent							Minority interest	Total equity	
	Note s	Share Capital	Premium in excess of Par	Adjustment to share capital	Unrealized gains/(losses) on available-for-sale investments, net of tax	Currency translation reserve	Other reserves and retained earnings	Total		
At January 1, 2007		76,500	1,592	252,676	(10,123)	(18,323)	329,519	631,841	-	631,841
Currency translation differences		-	-	-	-	(3,262)	-	(3,262)	-	(3,262)
Net changes in unrealized gains / (losses) on available-for-sale investments		-	-	-	7,237	-	-	7,237	-	7,237
Exchange differences arising on transaction of foreign operations		-	-	-	-	(2,790)	-	(2,790)	-	(2,790)
Gain/(loss) on hedge of the net investment in the foreign operations		-	-	-	-	2,790	-	2,790	-	2,790
Total income and expenses for the period recognized directly in equity		-	-	-	7,237	(3,262)	-	3,975	-	3,975
Net profit for the period		-	-	-	-	-	63,303	63,303	-	63,303
Total income / expenses for the period		-	-	-	7,237	(3,262)	63,303	67,278	-	67,278
Dividends paid		-	-	-	-	-	-	-	-	-
Capital increase		23,500	-	(11,750)	-	-	(11,750)	-	-	-
At June 30, 2007		100,000	1,592	240,926	(2,886)	(21,585)	381,072	699,119	-	699,119
At January 1, 2008		755,000	1,736	926	2,398	(23,236)	253,451	990,275	-	990,275
Currency translation differences		-	-	-	-	15,563	-	15,563	-	15,563
Net changes in unrealized gains / (losses) on available-for-sale investments		-	-	-	(27,521)	-	-	(27,521)	-	(27,521)
Total income and expenses for the period recognized directly in equity		-	-	-	(27,521)	15,563	-	(11,958)	-	(11,958)
Net profit for the period		-	-	-	-	-	125,161	125,161	-	125,161

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED JUNE 30, 2008**

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

Total income / expenses for the period	-	-	-	(27,521)	15,563	125,161	113,203	-	113,203
Dividends paid	-	-	-	-	-	-	-	-	-
Capital increase	-	-	-	-	-	-	-	-	-
At June 30, 2008	755,000	1,736	926	(25,123)	(7,673)	378,612	1,103,478	-	1,103,478

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2008

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

	Notes	January 1 – June 30, 2008	January 1 – June 30, 2007
Cash flows from operating activities			
Interest received		1,131,984	761,203
Interest paid		(664,320)	(360,503)
Fees and commissions received		169,282	106,512
Trading income		(6,419)	2,269
Recoveries of impairment of loan, lease and factoring receivables		29,239	1,020
Fees and commissions paid		(54,819)	(27,199)
Cash payments to employees and other parties		(199,789)	(125,426)
Cash received from other operating activities		2,496	991
Other operating activities		(81,347)	(367,495)
Income taxes paid		(12,798)	(19,806)
Cash flows from operating activities before changes in operating assets and liabilities		313,509	(28,434)
Changes in operating assets and liabilities			
Net (increase) / decrease in trading securities		168,592	(131,676)
Net (increase) / decrease in reserve deposits at central banks		(138,464)	(87,112)
Net (increase) / decrease in due from banks and other financial institutions		(8,280)	5,922
Net (increase) / decrease in loans and advances		(1,741,831)	(693,862)
Net (increase) / decrease in factoring receivables		(8,247)	(72,764)
Net (increase) / decrease in minimum lease payments receivable		(120,546)	(12,725)
Net (increase) / decrease in other assets		(82,596)	(84,034)
Net increase / (decrease) in deposits from other banks		(262,830)	(1,751)
Net increase / (decrease) in customers' deposits		2,532,130	827,068
Net increase / (decrease) in other money market deposits		(887,033)	17,024
Net increase / (decrease) in factoring payables		(67,756)	5,157
Net increase / (decrease) in other liabilities		305,404	364,350
Net cash (used in) provided by operating activities		(311,457)	135,597
Cash flows from investing activities			
Purchases of available for sale securities		(373,026)	(376,706)
Proceeds from sale and redemption of available for sale securities		176,526	321,549
Proceeds from redemption of held to maturity securities		3,836	-
Purchases of premises and equipment		(28,196)	(51,704)
Proceeds from the sale of premises and equipment		3,930	70
Purchases of intangible assets		(3,057)	(2,664)
Proceeds from the sale of intangible assets		-	-
Net cash provided by (used in) investing activities		(219,987)	(109,455)
Cash flows from financing activities			
Proceeds from funds borrowed and debt securities		6,951,879	6,145,021
Repayment of funds borrowed and debt securities		(6,820,525)	(5,951,650)
Issue of share capital		-	-
Dividends paid to equity holders of the parent		-	-
Net cash provided by (used in) financing activities		131,354	193,371
Effect of net foreign exchange differences		94,759	(95,888)
Net increase/ (decrease) in cash and cash equivalents		8,178	95,191
Cash and cash equivalents at beginning of the period		2,177,218	1,459,398
Cash and cash equivalents at end of the period		2,185,396	1,554,589

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2008

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2008

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

1. CORPORATE INFORMATION

General

Türk Ekonomi Bankası A.S. (the Bank) was incorporated in Turkey in 1927 under the name of Kocaeli Halk Bankası T.A.S. and in 1982 was acquired by the Çolakoglu Group. Its name was changed as Türk Ekonomi Bankası A.S. 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 the publicly traded shares are 15.63%. 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.

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

The accompanying consolidated financial statements of the Bank were authorized for issue by the management on July 11, 2008. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

Nature of Activities of the Group

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

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

The subsidiaries included in consolidation and effective shareholding percentages of the Group as of June 30, 2008 and December 31, 2007 are as follows:

	Principal Activities	Place of Incorporation	Effective Shareholding And Voting Rights %	
			June 30, 2008	December 31, 2007
The Economy Bank N.V. (Economy Bank)	Banking	Netherlands	100.0	100.0
Stichting Custody Services TEB	Custody	Netherlands	100.0	100.0
Kronenburg Vastgoed B.V.	Real estate	Netherlands	100.0	100.0
TEB Finansal Kiralama A.S. (TEB Leasing)	Leasing	Turkey	100.0	100.0
TEB Faktoring A.S. (TEB Faktoring)	Factoring	Turkey	100.0	100.0
TEB Yatırım Menkul Değerler A.S. (TEB Yatırım)	Brokerage	Turkey	100.0	100.0
TEB Portföy Yönetimi A.S. (TEB Portföy)	Portfolio management	Turkey	100.0	100.0

TÜRK EKONOMI BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 - Commercial bank, which deals mainly in foreign trade finance, corporate banking, private banking and correspondent banking services.

Stichting Custody Services TEB - Holding securities of customers, located in the Netherlands.

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

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

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

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 Portföy – Managing mutual funds, which are made up of customers' assets of capital market instruments. It also manages individual customer portfolios.

2. BASIS OF PREPARATION

The interim financial statements as of June 30, 2008 have been prepared in accordance with IAS 34 (Interim Financial Reporting).

The interim financial statements have been prepared on a basis consistent with the accounting policies set out in the financial statements of the Bank for the year ended December 31, 2007.

Loaned securities are the securities that are subject to repurchase agreements. Adjustment to share capital is the inflation adjustments made to paid in capital as per IAS 29 (Financial Reporting in Hyperinflationary Economies) during inflationary periods.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.

3. SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

At the meeting of the Parent Bank's General Assembly held on March 26, 2008, it has been resolved to increase the registered capital ceiling of the Parent Bank from TRY 900,000 to TRY 1,400,000. The increase was registered with the Trade Registry Office on March 27, 2008 and published in the Turkish Trade Registry Gazette numbered 7032 on April 1, 2008.

As of January 30, 2008, the main shareholder TEB Mali Yatirimlar A.S of the Parent Bank has placed TRY 155,000 to the Parent Bank. The facility matches the definition of the subordinated loan in the article 8, clause 11 of the Communique on Equity of Banks published by the Banking Regulation and Supervision Agency ("BRSA"). Since this has been obtained for the capital increase as committed by this shareholder and the BRSA approved by its letter dated February 11, 2008, it has been accounted for as secondary subordinated loan in the capital adequacy calculation. The said amount will be incorporated to the paid in capital after the capital increase procedures are completed.

Provision for impairment loss amounting to TRY 1,274 is booked for real estates held for resale as per the appraisals performed as of June 30, 2008.

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 Parent 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 banks' profit within the framework set out in Paragraph 7 of Article 14 of the annulled Corporate Tax Law No: 5422, the Parent 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 Parent 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.

The Parent Bank, as per the principle of prudence has provided a provision of TRY 15,040 for possible tax disputes that may occur in the future.

The Group has provided a provision of TRY 11,977 for the current period accrual of bonuses to be paid to its personnel.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.

4. SEGMENT INFORMATION

Business segments

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

As of and period ended June 30, 2008

	Retail Banking	Corporate Banking	Other	Eliminations	Group
External revenues	194,056	643,477	315,344	672	1,153,549
Revenues from other segments	-	-	-	-	-
Total revenues	194,056	643,477	315,344	672	1,153,549
Segment result (A)	(136,892)	352,871	(110,494)	2,626	108,111
Unallocated costs (B)	-	-	-	-	-
Operating profit (A-B)	(136,892)	352,871	(110,494)	2,626	108,111
Dividend income	-	-	21,815	(21,815)	-
Profit before income tax	(136,892)	352,871	(88,679)	(19,189)	108,111
Income tax	-	-	17,050	-	17,050
Net profit	(136,892)	352,871	(71,629)	(19,889)	125,161
Assets and Liabilities					
Segment assets	1,512,204	7,937,740	5,671,544	(15,049)	15,106,439
Investment in associates	-	-	163,893	(163,893)	-
Unallocated assets	-	-	629,955	(16)	629,939
Total assets	1,512,204	7,937,740	6,465,392	(178,958)	15,736,378
Segment liabilities	5,259,019	4,865,702	3,637,159	(15,049)	13,746,831
Unallocated liabilities	-	-	886,085	(16)	886,069
Total liabilities	5,259,019	4,865,702	4,523,244	(15,065)	14,632,900
Other segment information					
Capital expenditures					
Tangible fixed assets	-	-	-	-	23,399
Intangible fixed assets	-	-	-	-	3,173
Depreciation	-	-	-	-	19,317
Amortization	-	-	-	-	2,345

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.

4. SEGMENT INFORMATION (continued)

Periodended June 30, 2007

	Retail Banking	Corporate Banking	Other	Eliminations	Group
External revenues	81,687	512,979	254,054	(2,379)	846,341
Revenues from other segments	-	-	-	-	-
Total revenues	81,687	512,979	254,054	(2,379)	846,341
Segment result (A)	(152,729)	293,810	(60,492)	(754)	79,835
Unallocated costs (B)	-	-	-	-	-
Operating profit (A-B)	(152,729)	293,810	(60,492)	(754)	79,835
Dividend income	-	-	19,119	(19,119)	-
Profit before income tax	(152,729)	293,810	(41,373)	(19,873)	79,835
Income tax	-	-	(16,532)	-	(16,532)
Net profit	(152,729)	293,810	(57,905)	(19,873)	63,303

As of December 31, 2007

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

Periodended June 30, 2007

Other segment information

Capital expenditures

Tangible fixed assets	-	-	-	-	51,704
Intangible fixed assets	-	-	-	-	2,664
Depreciation	-	-	-	-	12,284
Amortization	-	-	-	-	1,827

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 Parent 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 5% of total entity revenue.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2008

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

4. SEGMENT INFORMATION (continued)

Periodended June 30, 2008

	Turkey	European Union	Total
Other segment information			
Segment assets	13,518,610	1,587,829	15,106,439
Investment in associates	-	-	-
Unallocated assets	621,555	8,384	629,939
Total assets	14,140,165	1,596,213	15,736,378
Capital expenditures			
Tangible fixed assets	23,351	48	23,399
Intangible fixed assets	3,123	50	3,173

Year ended December 31, 2007

	Turkey	European Union	Total
Other segment information			
Segment assets	12,084,967	1,226,689	13,311,656
Investment in associates	-	-	-
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

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5. 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 Çolakoglu family and BNP Paribas Group each of which directly or indirectly own 50% of the shares of Parent of the Bank. For the purpose of these consolidated financial statements, unconsolidated subsidiaries, associates, shareholders, Çolakoglu 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 include primarily loans, deposits and borrowing transactions. The significant outstanding balances with related parties at period-ends and relating expense and income for the periods are as follows:

June 30, 2008:

Related party	Cash loans	Non-cash loans	Funds borrowed	Deposits taken	Deposits with banks	Other current assets	Other liabilities	Notional amount of derivative transactions	Interest income	Interest expenses	Other operating income	Other operating expenses
Direct/Indirect shareholders	38,179	63,959	416,501	687,904	40,114	-	16,570	2,081,009	4,119	87,951	3,320	3,477
Others	57,816	7,697	760,755	696,764	47,989	176	1,504	234,321	2,487	44,568	886	112

December 31, 2007:

Related party	Cash loans	Non-cash loans	Funds borrowed	Deposits taken	Deposits with banks	Other current assets	Other liabilities	Notional amount of derivative transactions	Interest income (*)	Interest expenses (*)	Other operating income (*)	Other operating expenses (*)
Direct/Indirect shareholders	20,862	25,144	661,470	587,446	5,432	278	1,874	1,363,285	1,683	29,328	244	1,951
Others	10,425	7,074	584,862	684,332	2,455	5	1,424	75,136	3,110	50,291	3,734	422

(*) Figures are shown as of June 30, 2007.

No provisions have been recognized in respect of loans given to related parties (June 30, 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 16,419 as of June 30, 2008 (June 30, 2007 – TRY 8,664) comprising mainly salaries and other short-term benefit.

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6. 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:

	June 30, 2008	December 31, 2007
Letters of guarantee issued	2,559,408	2,138,651
Letters of credit	1,366,360	855,691
Acceptance credits	65,034	64,002
Other guarantees	266,236	199,055
Total non-cash loans	4,257,038	3,257,399
Other commitments	2,063,517	3,087,472
Credit card limit commitments	1,046,561	822,708
Letters of guarantee obtained	118,893	105,972
Total	7,486,009	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 1,192,371 as at June 30, 2008 (December 31, 2007 - TRY 1,027,958). As of June 30, 2008, securities at custody include investment funds with market value of TRY 992,126 (December 31, 2007 - TRY 1,129,317).

The Group has twenty two 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 June 30, 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 June 30, 2008, according to the general requirements of the ISE, letters of guarantee amounting to TRY 7,879 and USD 10,628,000 (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. Also, as of June 30, 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.

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6. 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 certain period of notice which does not exceed 6 months. There are no restrictions placed upon the lessee by entering into these leases.

7. EARNINGS PER SHARE

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

In Turkey, companies can increase their share capital by making a pro rata distribution of shares (“Bonus Shares”) to existing shareholders without consideration for amounts resolved to be transferred to share capital from 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, without consideration through June 30, 2008.

	Number of Shares (in millions) Issued Attributable to						Total	Closing
	Opening	Cash	Transfers from Retained Earnings	Transfers From Revaluation Surplus	Transfers From Adjustment to Share Capital	Reinvestment of Dividend Payments		
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	-	-	-	-	-	-	755,000

(*) In the Extraordinary General Assembly Meeting dated May 31, 2006, the shares with nominal value of TRY 0.0005 has been decided to be changed to nominal value of TRY 0.001 (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 million number of shares each of which is equivalent to TRY 0.0005 (full TRY) has been replaced with 57,800 million number of shares each of which are equivalent to TRY 0.001 (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 have become 76,500 million, each of which are equivalent to TRY 0.001 (full TRY).

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7. EARNINGS PER SHARE (continued)

There is no dilution of shares as of June 30, 2008 and December 31, 2007.

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

	June 30, 2008	June 30, 2007
Net profit / (loss) attributable to ordinary shareholders for basic earnings per share	0.1658	0.6330
Weighted average number of ordinary shares (in millions) for basic earnings per share	755,000	100,000

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.

8. SUBSEQUENT EVENTS

TRY 75,649 of the non-performing loans portfolio of the Parent Bank with TRY 65,977 provision as of June 30, 2008 was sold on the basis of May 31, 2008 figures to Girişim Varlık Yönetim A.Ş, a local asset management company, that offered the highest bid amount of TRY 10,850. The stated amount has been collected and recorded accordingly upon the completion of the required procedures.