Annual Report 2006

TEB

BNP PARIBAS JOINT VENTURE

AGENDA OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS OF TÜRK EKONOMİ BANKASI A.Ş. DATED 27 MARCH 2007

1. Opening and the formation of the Presidential Board composed of a chairman, two vote collectors and two secretaries,
2. Authorization of the Presidential Board to sign the minutes of the meeting,
3. Announcement, discussion and ratification of the Annual Report and the Auditor's Report of 2006, prepared as defined in the relevant laws.
4. Announcement, discussion and ratification of the balance sheet and income statement for 2006, ratification or amendment of the Board of Directors' proposal for dividend distribution, discussion of related suggestions,
5. Announcement of the summary of annual audit report prepared by the Independent Auditing Firm and decision on the ratification of the Independent Auditing Firm appointed by the Board of Directors,
6. Conveying information to General Assembly on donations made by the bank in 2005 and 2006,
7. Discharge of the members of the Board of Directors and auditors from liabilities related to operations and accounts of 2006,
8. Election of the members of the Board of Directors and auditors and determination of their terms,
9. Determination of attendance fees and other fees to be paid to members of the Board of Directors and the Loan Committee and to Auditors,
10. Authorization of the Board of Directors in connection with the matters specified in Articles 334 and 335 of the Turkish Commercial Code.

CONTENTS

A Brief History of TEB

On February 10, 2005, 50% of the holding company's shares of TEB Financial Investments, TEB's majority shareholder, were sold to BNP Paribas, one of the leading banks in the European Union and the world. As a result, BNP Paribas acquired a 42.125% share of TEB's capital.

Established in 1927 as a small-scale regional bank, Türk Ekonomi Bankası (TEB) expanded gradually over the years to cover all geographical regions of the country where economic and industrial activity are vibrant. TEB offers corporate, commercial, retail (including small businesses) and private banking customers a full range of services and products.

Through its subsidiaries within the TEB Financial Services Group (TEB Group), TEB is also able to offer customers leasing, factoring, non-life insurance, asset management and investment brokerage services. The coordination and synergy between TEB and TEB Group's subsidiaries and the high quality of the services have underpinned TEB's reputation as a successful and well integrated banking and financial services group.

During the 1980s, while many banks operated within a network of branches throughout the country, TEB focused mainly on selective corporate and commercial banking as well as foreign trade financing activities. In the early 1990s, TEB pioneered private banking activities, contributing to its sound reputation and position in the Turkish banking industry.

Since 2000, TEB has been listed on the Istanbul Stock Exchange where 15.63 % of its shares are currently traded. The Bank's shares are traded as GDRs on the London Stock Exchange as well.

On February 10, 2005, 50% of the holding company's shares of TEB Financial Investments, the majority shareholder of TEB, were sold to BNP Paribas, one of the leading banks within the European Union and the world. As a result, BNP Paribas acquired a 42.125% share of TEB's capital.

With the support of BNP Paribas, the TEB Group, always faithful to its core values of integrity, financial strength and transparency, entered a new phase in all its activities, offering a full range of high quality services and products to its customers through its network of 233 branch offices (as of 31.6.2007) and a wholly-owned subsidiary bank in the Netherlands along with its alternative distribution channels.

Since its inception, TEB has prioritized three fundamental values: integrity, financial strength and transparency.


TEB

Review of Financial and Operational Results in 2006

Total assets of the banking industry have grown by 16%, loans by 33%, securities portfolio by 10% and deposits by 16% as of September 30, 2006.

Although the first few months of 2006 gave the impression that, from an economic viewpoint, the year would not be any different from 2004 or 2005, the fluctuation that occurred in May and June created a completely different picture for the rest of the year. Overnight interest rates of the Central Bank, which were 13.5% by the end of 2005, were first reduced by 25 basis points to 13.25%, only to be increased again by 4.25% to 17.5%. From April onward, inflation began to exceed the target and increasing exchange rates further triggered inflationary expectations. The Central Bank was then forced to substantially increase interest rates. CPI inflation, which had fallen to 7.7% at the end of 2005, once again exceeded the 10% mark due to fluctuations and the expected rise of inflation above the target levels for 2006 and 2007. The Central Bank preferred not to cut interest rates during the second half of 2006 and consequently overnight rates finished the year at 17.5%.

On the other hand, inflation fell below the 10% mark at the end of 2006 and finished the year at 9.7%, due to the firm stance of the Central Bank with regard to the interest policies implemented after the fluctuation and the downward movement in exchange rates during the rest of the year. However, year-end inflation in 2006 was still above the previous year's level of 7.7% and was well above the 5% target. Despite these negative developments, the inflation target for 2007 was not changed and remained at 4%. Striving to achieve this ambitious target, the Central Bank is very likely to keep overnight interest rates at 17.5% for much of 2007.

The Central Bank's success in achieving the inflation target does not depend only on interest policies but also on several external factors. The most important of these are commodity prices and especially oil prices. The most crucial external risk factor at the domestic level is the rapid rise in food prices mainly as a result of adverse weather conditions. Furthermore, exchange rate volatility might also occur and have an indirect impact on inflation, as a result of fluctuations in international markets and changes in players' risk appetite. In summary, it is possible to say that it has become difficult to forecast the trend inflation will follow in 2007.

After reaching 23%, the benchmark bond interest rate, as low as 13 to 14% before the market fluctuation, remained at between 21 to 22% for the rest of the year. Since the Central Bank is not expected to cut interest rates in the short-term, interest rates on bonds, unlike exchange rates, are not expected to fall. Another reason for bond rates to remain high is that there will be two elections in 2007. Concerns around growing political uncertainty before the elections will probably affect interest rates in the form of higher risk premiums. The uncertainty caused by the elections, that began to be felt from 2006 on, is expected to continue in 2007, at least until the elections are held.

The US$/YTL rate, during the May-June fluctuation, exceeded the 1.70 mark for a short time, fell to 1.41-1.42 in the months that followed, thanks to an increasing inflow of foreign portfolio investments. While the fall in exchange rates in the second half of 2006 supported the Central Bank's efforts to fight inflation, it had the opposite effect on the current account deficit.

The ratio of the current account deficit to national income has continued to increase, reaching 8.3%. Combined with political risks, the continued widening of the current account deficit is one of the most serious sources of concern in 2007. The fact that foreign trade deficit decreased in December 2006, following an eleven-month upward trend, raised questions about whether the trend was being reversed. We will have to wait and see what happens in 2007 to understand whether what happened in December was the beginning of a permanent change.

Production-related developments in various industries show that the slowing down of domestic sales in interest rate-sensitive industries such as automotives and household appliances in the second half of the year was related to the low demand for consumer loans. Output growth did not fall as dramatically as expected after the fluctuations, due to the growth in exports toward the end of the year. This meant that low domestic demand in export industries could be offset by increasing exports. As a result, the fall in corporations' loan demand was limited.

Official national income statistics have not been released yet, but it is estimated that average annual growth will not be lower than 5% despite the fall in domestic demand in the second half of the year. As mentioned before, export growth, which gained momentum in the second half of the year, has been one of the most important drivers of economic growth. Furthermore, a more dramatic fall in GNP growth was prevented by the increase in public spending. Public investment and spending are likely to ramp up in the election year of 2007, while private investment and consumption spending are likely to remain low in the first half and recover during the rest of the year.

Budgetary performance can be considered satisfactory, although the growth in public spending has been quite high in 2006. This is because there was a significant increase in one-time revenues such as those coming from privatisation. Although data covering the entire year is not available yet, the ratio of the budget deficit to national income is expected to remain below 1%.

As the Central Bank opted for monetary tightening by increasing overnight interest rates, there was a slowdown in the growth of local-currency deposits and other monetary aggregates. Another result of exchange rate volatility was that foreign-currency deposits began to increase again.

In light of these developments:

- As a result of the market fluctuation in May and June and the consequent tendency of interest rates to remain high, the second half of the year witnessed a slowing down in the demand for loans. This process was especially remarkable for housing and automobile loans.
- In 2006, foreign banks continued to display interest in Turkey's banking industry, which has seen further mergers and acquisitions.
- In this way, companies and individuals residing in Turkey have found the opportunity to access all kinds of financial instruments they need for their overseas business and investments, at higher quality and cost efficiency.
- The liquidity structure of the banking industry has been taken under close control through the communiqués and regulations issued by the Banking Regulation and Supervision Agency (BRSA).

In an environment of lower profit margins and intense competition and despite the cost burden of opening 57 new branches, Türk Ekonomi Bankası (TEB) managed to earn a pre-tax profit of YTL 134.6 million and an after-tax profit of YTL 105.7 million.

By the end of the third quarter of 2006, the banking industry had achieved the following figures:

	(YTL billions)
Assets	461
Loans	204
Securities Portfolio	157
Deposits	295

A detailed analysis of these figures shows that total assets of the banking industry have grown by 16%, loans by 33%, securities portfolio by 10% and deposits by 16%. The considerable growth in loans constitutes an important step toward efficiently directing funds to the non-financial sector. But the asset growth rate failed to reach its 2005 level due to the fluctuations that occurred in May and June.

In an environment of lower profit margins and intense competition and despite the cost burden of opening 57 new branches, Türk Ekonomi Bankası (TEB) managed to earn a pre-tax profit of YTL 134.6 million and an after-tax profit of YTL 105.7 million.

Comparison of key balance sheet items and financial ratios with those of the previous year shows that:

- The Bank's assets grew by 52%,
- shareholders' equity reached YTL 552 million,
- the share of deposits in the balance sheet was 66%,
- loan portfolio expanded by 67% over the previous year, with a significant increase in small and medium-size commercial loans and small business loans and now constitutes 60% of total assets,
- the ratio of non-performing loans went down from its 2005 level of 1.1% to 0.9% in 2006,
- the loans-to-deposits ratio reached 91%, meaning that YTL 91 out of every YTL 100 deposited with the Bank was lent out as loans,
- capital adequacy ratio was 14.27%,
- return on equity (ROE) was 20.81%,
- number of branches increased from 113 in 2005 to 170 in 2006 and number of employees from 2,630 in 2005 to 3,565 in 2006.

Amendments to the Articles of Association

At the Extraordinary General Meeting of Shareholders on 31 May 2006, it was resolved that Articles 5, 14 and 26 of the Bank's Articles of Association be amended. The decision was registered with the Istanbul Trade Registry on 1 June 2006 and published in the Turkish Trade Registry Gazette numbered 6571, dated 6 June 2006.

These amendments were made to ensure compliance with Law No: 5083 on the Currency Unit of the Republic of Turkey and Law No: 5274 Amending the Turkish Commercial Code No: 6762.

The old and new versions of the Articles changes can be found in Appendix 4, at the end of this annual report.

Changes in the Bank's Capital and Shareholder Structure

In order to strengthen the capital structure of the Bank in line with its growth objectives, issued capital was increased from YTL 57,800,000 (Fifty seven million eight hundred thousand New Turkish Liras) to YTL 76,500,000 (Seventy six million five hundred thousand New Turkish Liras), fully paid in cash within the limits of the Bank's authorized capital of YTL 100,000,000 (One hundred million New Turkish Liras).

The document issued by the Capital Markets Board dated 14 September 2006 and numbered 1731, evidencing that the procedures relating to the increase of the Bank's issued capital to YTL 76,500,000 (Seventy six million five hundred thousand New Turkish Liras) have been completed in accordance with the Capital Markets Law No: 2499, was published in the Turkish Trade Registry Gazette No: 6649, dated 25 September 2006.

Capital and Shareholder Structure

Shareholder's Name/Title	Share in Capital (YTL)	Share (%)
TEB Mali Yatırımlar A.Ş.	64,454,474.30	84.25
(TEB Financial Investments) Publicly Traded	11,956,481.20	15.63
Other Shareholders	89,044.50	0.12
TOTAL	76,500,000.00	100,00

Shares of the Chairman and Members of the Bank's Board of Directors, General Manager and Assistant General Managers

	(YTL)
Yavuz Canevi (Chairman)	2.00
Dr. Akın Akbaygil (Vice Chairman)	3.21
Refael Taranto (Member)	2.00
İsmail Yanık (Member and Auditor)	9,714.42
Varol Civil (Member and General Manager)	2.00
Saniye Telci (Assistant General Manager)	330.97
Sevinç Özşen (Assistant General Manager)	618.08
Nuri Tuncalı (Assistant General Manager)	618.23

In 2006, TEB's asset size grew by 52%, more than doubling the growth rate in the banking sector. The share of deposits in the balance sheet was 66% with the loans-to-deposits ratio reaching 91%.


TEB

Message from the Chairman

The partnership between TEB and BNP Paribas has enabled the Bank to devise a new and well-designed growth policy, which is currently being implemented with substantial success.

With the current government's coming to power following the democratic elections five years ago, Turkey has regained its position as a centre of stability and economic growth. The new administration has brought back long-desired political and economic stability thanks to the majority it holds in Parliament and in addition to resuming growth; it has also successfully implemented anti-inflationary structural reforms with the support of the "double anchor" of the IMF and the European Union. Positive developments in economic indicators have improved the growth potential of the country.

The partnership between TEB and BNP Paribas coincided with this favourable environment. This partnership has enabled the Bank to devise a new and well-designed growth policy, which is currently being implemented with great success.

As of the end of 2006, TEB was active in 170 branches in 38 cities representing 86% of the country's GNP.

Along with the expansion of the branch network, an even greater achievement came in the form of higher quality in banking services, greater diversity in the product range, industry-oriented services like SMEs and Trade Centres, retail banking services such as the Bonus Instalment Card as well as social responsibility projects and projects aimed at creating synergies.

Most of these services and projects were very positively received by the public and were recognized and awarded by independent organizations.

Although the first few months of 2006 had given the impression that the year would not be different from 2004 or 2005, as a result of the reassessment of accumulated risks in global markets, all markets including Turkey experienced serious volatility that has left permanent marks. Despite this, 2006 will be remembered by the non-compromising monetary policy of the Turkish Central Bank.

Although interest and exchange rates were higher than in previous years, the banking industry has grown at a slower pace and profit margins have remained low. TEB has managed to earn a pre-tax profit of YTL 134.6 million and an after-tax profit of YTL 105.7 million, thanks to the synergies it has created with its global partner BNP Paribas.

Since its inception, TEB has prioritised three fundamental values: integrity, financial strength and transparency. I would like to confirm that these values will remain as our priorities in this new era with our partner BNP Paribas.

As we will soon celebrate our 80th anniversary, let me take this opportunity on behalf of the Board of Directors to express our appreciation for and confidence in our employees.

Yavuz Canevi
Chairman

Message from the General Manager

As of the end of 2006, TEB was active in 170 branches in 38 cities representing 86% of the country's GNP.

After ending 2005 with 113 branches in 29 cities, TEB opened 57 new branches in 2006, increasing the total number of its branches to 170. With the addition of these new branches, TEB is now active in 38 cities representing 86% of Turkey's GNP.

In 2006, TEB has completed the infrastructure and process network required by mass banking and the multi-customer system. The Bank has grown and at the same time continued to offer high-quality services to a changing customer base.

TEB's technology investments in 2006 were not limited to those at the infrastructure level; the Bank has also undertaken several groundbreaking initiatives.

The conference entitled A Future Strategy for Cities has been added to the scope of TEB's SME Academy, an SME Quality Package was developed for these enterprises and joint efforts have been made with the Technology Development Foundation of Turkey to assist and improve the R&D activities of SMEs and an Internet TV called TEB SME TV, launched to provide SMEs with information and training support.

Social responsibility has been an essential component of all TEB products and services. TEB was the only bank to be given the Social Responsibility Award at the Active Academy 4th International Finance Summit, for the educational support it provides through TEB SME TV.

TEB has introduced a groundbreaking service called TurkcellMobileSignature, which allows subscribers to perform transactions safely and easily, using their mobile phones' SMS service to get passwords. Express Loan, another new service, allows everyone, regardless of whether they are TEB customers or not, to place loan applications through all distribution channels, quickly and without the need for a guarantor. Responding to the loan application by sending an SMS to the applicant's mobile phone, TEB has established the fastest loan process in the industry by approving loans in just one minute.

In November 2006, TEB joined the Bonus Card program and introduced the TEB Bonus Card, offering its customers the benefits of this system. Increasing its credit card POS revenue 169% in 2006, TEB became the second fastest growing bank in this field.

To ensure the efficient flow of foreign trade transactions, Turkish Desks have been launched within BNP Paribas. Following the first Turkish Desk opened at BNP Paribas Algiers in Algeria in 2005, the second and third units were opened in 2006 at Ukrsibbank (Ukraine) and BNP Paribas Egypt.

At the Excellence in Payments Innovation Awards organized by the European Payments Consulting Association (EPCA), TEB won the High Distinction award in the Most Innovative and Cost-Effective Payments Processing Solution category.

Backed by our achievements in 2006, we are now even more committed to offering high-quality services to our customers. With the synergies created with BNP Paribas, 2007 will be a year full of growth and achievement for TEB.

Varol Civil
General Manager

Social responsibility has been an essential component of all TEB products and services and TEB has been the only bank to be given the Social Responsibility Award at the Active Academy 4th International Finance Summit, for the educational support it provides through TEB SME TV.


TEB

Review of Operations in 2006

TEB has a 'correspondent bank' relationship with 2,500 banks in 120 countries; foreign trade financing continued to be one of the important functions of the Bank in 2006.

TEB is involved in corporate, commercial, retail and private banking activities, as well as treasury transactions and foreign trade finance. The Bank's corporate and commercial marketing activities are supported with cash management services, a field where TEB is an industry leader. In addition to banking activities, TEB also offers insurance services through its branches, on behalf of TEB Insurance.

The Bank has reinforced its strong asset structure, proven credit culture and effective balance sheet management with the partnership it has established with BNP Paribas.

Financial Institutions

Correspondent Relations Department

TEB has a correspondent bank relationship with 2,500 banks in 120 countries. Foreign trade financing continued to be one of the important functions of the bank in 2006. The distinguished position the bank enjoys in international markets in this field has been further enhanced by BNP Paribas' branch network and subsidiaries in 88 countries. In 2006, TEB's share in Turkey's foreign trade increased to 7% in exports and 5% in imports.

The bank supports its clients' foreign trade transactions around the world by concluding cooperation agreements with export financing agencies; the latest addition was the Japan Bank for International Cooperation (JBIC). According to this agreement, which supports TEB clients' imports from Japan under an export insurance scheme, JBIC has granted to TEB seven-year credit lines of EUR 10 million, US$ 10 million and ¥ 1 billion.

In addition to the Trade Facilitation Program of the European Bank for Reconstruction and Development (EBRD), to which TEB subscribed in 2004, the Bank has also joined the Global Trade Finance Program from the International Finance Corporation (IFC) as a Confirming Bank, under a contract signed in 2006. This program will allow TEB to support its clients' export transactions with wider geographical coverage and to share high country and bank risks with the IFC, whose program covers more than seventy countries in Africa, Latin America, Asia, Middle East and Eastern Europe.

The Financial Institutions Group, which secures funding for the Bank's requirements in international markets at the most favourable terms available, has undertaken the following foreign borrowing transactions:

The EUR 205 million one-year syndication loan, received in November 2005, offers a one-year extension option; it was extended on 13 November 2006 with the approval of the participants.

A ten-year subordinated loan was extended by Economy Luxembourg S.A. (first five years non-recourse) on 30 October 2006. Following the bond issue of Economy Luxembourg S.A. intermediated by BNP Paribas London, the EUR 110 million subordinated loan entered into the accounts on 31 October 2006. Fitch Ratings rated the bonds issued by Economy Luxembourg S.A. at BB.

In addition to these loans, TEB continues to cooperate with international financial institutions to meet the medium and long-term financing needs of its clients and offers them customized loan facilities with favourable terms.

Apart from the five-year US$ 10 million consumer finance loan received from the National City Bank of Ohio under the insurance scheme of the Overseas Private Investment Company (OPIC) and the ten-year US$ 20 million housing finance loan to finance the mortgage portfolio, TEB has secured a seven-year US$ 20 million SME and housing finance loan from the Wachovia Bank NA, Charlotte, again under the insurance scheme of the OPIC.

Furthermore, the bank continued to act as an intermediary in bridging funds to exporting companies from the World Bank's EFIL-II (Export Finance Intermediary Loan) program and from the SME Loans and Small Enterprises Loan Program (SELP) of the German Development Bank (KFW).

TEB continued its pioneering role by financing Turkey's traditional agricultural products such as tobacco, olive oil and raisins in 2006 and expanded its portfolio to also include hazelnuts.

Trade Centres

Immediately after the partnership with BNP Paribas, TEB adopted BNP Paribas' Trade Centre concept. Since BNP Paribas established the first Trade Centre in France in 2000, its network of Trade Centres has spread to 90 locations in 50 countries around the world. The primary objective of the Trade Centres is to determine the foreign trade financing requirements of its customers and to offer them the most appropriate customized solutions. For this purpose, foreign trade experts of the bank accompany customer representatives in frequent visits to customers and keep in contact with Trade Centres around the world.

For the Trade Centres that opened in 2005 in Istanbul, Izmir and Adana, 2006 was a year in which services were offered to a wider base of clients. Trade Centre experts determined the foreign trade financing requirements of companies working with TEB; they provided the most appropriate solutions by taking advantage of the Trade Centre Network of BNP Paribas and the extensive correspondent relations of TEB.

The second round of the introduction seminars was held in 2006 entitled How to Do Business in Morocco. Its objective was to allow clients to conduct business in foreign countries easily and more efficiently. The seminar was attended by senior executives from the BNP Paribas subsidiary in Morocco, Banque Marocaine pour le Commerce et l'Industrie (BMCI) and the Commercial Counselor at the Turkish Embassy in Rabat and representatives of the Moroccan Foreign Investment Office, businessmen engaged in business in Morocco and those wishing to get involved were provided with relevant information.

The second and third units of the Turkish Desk network, the first of which had been opened in 2005 at BNP Paribas Algiers in Algeria, were activated at Ukrsibbank (Ukraine) and BNP Paribas Egypt in 2006. To ensure that Turkish companies in the respective countries are provided with first-class banking services, TEB representatives employed at the Turkish Desks make use of all means available at the affiliated BNP Paribas subsidiaries. Turkish Desks opened at BNP Paribas subsidiaries enable a smoother flow of foreign trade in the countries where they are located.

The bank has reinforced its strong asset structure, proven credit culture and effective balance sheet management with the partnership established with BNP Paribas.

Investor Relations and Corporate Governance Department

The Investor Relations Department was renamed as Investor Relations and Corporate Governance Department in 2006, to better reflect the Department's functions and the Bank's commitment to corporate governance.

The Department participated in several domestic and international events and has kept in close contact with existing and potential investors by organizing numerous road shows. The Department held meetings with nearly thirty investors in Istanbul and organized approximately 120 meetings for investors at various events in Europe and in the United States.

Throughout the year, the Department held teleconferences at the end of each quarter, providing detailed information to investors and continuing to deliver an uninterrupted flow of information to the media and analysts with regard to the activities of the bank.

The Department monitors the implementation of corporate governance principles and maintains close contact with the Corporate Governance Committee to assure the best possible implementation of these principles at TEB. The committee held meetings throughout the year and contributed to the corporate governance activities of both TEB and the Bank's Association of Turkey. To this end, the department participated in meetings held by various organizations dealing with corporate governance and maintained regular contact with institutions issuing corporate governance ratings in Turkey.

Corporate Banking

The Corporate Banking Group had a very successful year in 2006 and improved its competency thanks to new opportunities that emerged as a result of the partnership with BNP Paribas.

In 2006, the concept of 'Corporate Client' was redefined to include clients with revenue of more than US$ 50 million. With the opening of the Körfez branch, the number of corporate banking branches totalled eight.

Client follow-up programs customized for different industries and the expertise gained in this area have resulted in considerable expansion, especially in the areas of construction contracting, iron-steel, shipping and automotive.

This partnership has allowed the Corporate Banking Group to offer its clients the global knowledge, distribution network and the sophisticated solutions that are part of BNP Paribas. In this context, TEB clients were offered structured finance opportunities with several commodity finance products.

Initial steps to introduce distinctive solutions such as bond issues, securitization and derivative instruments have been taken in cooperation with the Fixed Income Department of BNP Paribas, with plans for further development on the way in 2007.

The Project Finance Department was launched in 2006 and acted as an intermediary in several project finance and re-finance projects with Turkey's leading companies in real estate, tourism, manufacturing industry and logistics. In addition to the project finance capabilities of TEB's partner, BNP Paribas, the Department also collaborates with various investment and commercial banks both in and out of Turkey, playing an active role in financing clients' projects abroad. Project evaluation and monitoring reports are prepared in accordance with the demand for project and investment finance and technical support is provided for medium-term loan applications of corporate and commercial clients. In 2007, TEB plans to expand the coverage of its project finance activities to include energy, environment and municipality projects.

Especially for projects in emerging markets like Morocco, Tunisia, Algeria and Qatar, TEB began providing clients with favourable terms, prices and services following the partnership with BNP Paribas and has gained depth and efficiency by defining joint credit lines with BNP Paribas for large-scale projects.

In 2006, the Corporate Banking Department launched a new business line; Structured Finance. This new product, which was created after joining forces with BNP Paribas, is offered in cooperation with the Islamic Banking Department of BNP Paribas in Bahrain.

Parallel to the accelerated expansion of its branch network, TEB acquired new clients at an increasing rate in 2006. TEB is developing new products and services, especially in the field of SME Banking.

Cash Management

Aiming to become the largest bank with regard to revenue collection and payment processes for companies it targets in corporate and commercial banking, TEB considers cash management a significant element of efficiency and differentiation. The Bank's achievement in payment systems has been confirmed with the High Distinction award for its Rapid Import Transfer. This award was granted in 2006 by the European Payments Consulting Association (EPCA) in the category of Most Innovative and Cost-Effective Payment Processing Solution of the Excellence in Payments Innovation Awards. Meanwhile, the number of companies using the bank's electronic payments systems increased by 25%.

As its branch network expanded, TEB managed to recruit more retailers and distributors as customers and substantially increased its share of domestic payment transactions of corporate and commercial clients. With a 21% rate of growth, interbank check clearing transactions rose from a rank of nine to seven and the Bank's share of total clearing volume increased from 4.1% to 4.6%.

Commercial Banking

Parallel to the accelerated expansion of its branch network, TEB acquired new clients at an increasing rate in 2006. The TEB Group is developing new products and services, especially in the field of SME Banking.

SME Banking

Pursuing the philosophy of Adding Value to SMEs, the SME Banking Unit at TEB developed products and services aimed at satisfying both financial and non-financial requirements of SMEs, focusing on innovations and continuing to serve their needs in 2006, as in the previous year. Some of these activities geared specifically toward SMEs included:

- The conference entitled Future Strategy for Cities was included in the scope of the TEB SME Academy, which had been established to support the competitiveness of SMEs both in domestic and international markets,
- an SME Quality Package was developed for SMEs that want to do business with a focus on quality,
- joint efforts were made with the Technology Development Foundation of Turkey to assist and enhance the R&D activities of SMEs and
- an Internet TV program called TEB SME TV was launched to provide SMEs with information and training support.

Social responsibility has been an essential component of all TEB products and services. TEB was the only bank to receive the Social Responsibility Award at the Active Academy 4th International Finance Summit, for TEB SME TV's support for education.

Future Strategy for Cities Conference

A series of conferences entitled Future Strategy for Cities was launched at the TEB SME Academy, to serve as a further step toward fulfilling the economic potential of Turkey's major cities.

SME Quality Package

In a world where boundaries are gradually disappearing, it is no longer enough to succeed only in the domestic market. As the impact of globalisation is deepening, it has become a must for all companies to reach beyond their national borders and find a place in international markets. Achieving this goal requires the ability to speak the same language as the external world for production and service provision. An SME Quality Package was developed for SMEs, taking into account the importance of quality in international markets.

This package allows SMEs to find solutions for all of their quality-related problems and needs. In this package, SMEs can call the SME Quality Line (444 0 667) with questions such as: what is quality, what are the benefits of quality certifications and how are they obtained? All of these questions are answered free-of-charge.

TEB-TDFT Cooperation

According to a protocol signed with the Technology Development Foundation of Turkey (TDFT), TEB clients who have R&D projects are referred to the TDFT. Similarly, companies that apply to the TDFT in search of a bank are referred to TEB. In this way, SMEs are supported in their work in the field of technology.

Retail Banking

In retail banking, TEB introduced several pioneering services in 2006, establishing a structure that makes efficient use of technology and industry-specific cooperation programs. In 2006, the bank completed the infrastructure and process work required for mass banking and the multi-customer system. It has grown and at the same time continued to offer high-quality services to a changing customer base.

Having ended 2005 with 113 branches in 29 cities, TEB opened 57 new branches in 2006, increasing the total number of its branches to 170. With the addition of new branches, TEB is now active in 38 cities and covers 86% of Turkey's GNP.

2006 was a year when TEB focused on acquiring new customers with great success. With various arrangements, campaigns and salary agreements, TEB managed to gain an average of 20,000 new customers per month; with the introduction of the Bonus Card, this number exceeded 25,000. The number of retail customers, which had been 265,000 at the beginning of 2006, went up to 415,000 by the end of the year. Expanding its customer base parallel to the opening of new branches, TEB managed to preserve the number of customers per branch and retail customer profitability.

In this multi-customer system, segmentation and analysis work have been given special emphasis to provide customers with product and service packages tailored to their expectations and needs. A lifestyle segmentation model was applied to clearly identify customer segments.

Technology investments and processes improved TEB's ability to respond to customer needs; its sales efficiency was speeded up, making it possible for new marketing efforts to be implemented in the shortest possible time.

TEB's technology investments for 2006 were not limited to just the infrastructure; several groundbreaking initiatives were undertaken such as an innovative service called TurkcellMobileSignature, which allows subscribers to perform transactions safely and comfortably using their own SMS mobile phone service to get passwords.

The bank introduced an innovative service named TurkcellMobileSignature, which allows subscribers to perform transactions in a safe and comfortable way, using their mobile phones' SMS service to get passwords.

The new Express Loan service allows everyone, regardless of whether they are TEB customers or not, to place loan applications through all distribution channels, quickly and without the need for a guarantor. Responding to the loan application by sending an SMS to the applicant's mobile phone, TEB has established the fastest loan process in the industry able to approve loans in just one minute. From August, when this service was launched, until the end of the year 120,000 applications were received via this new system. TEB has also continued to use high technology in campaign management, sending MMSs to customers' mobile phones to become the first bank undertaking campaign communication via MMS.

Fund Points, a new points system specially designed for customers of the Retail Banking Department, was activated in 2006. Utilising this application, customers earn points for the banking transactions they perform at TEB; these points are converted into mutual funds and deposited into their accounts.

In 2006, TEB and BNP Paribas jointly offered Turkish investors Parvest Funds comprised of six foreign mutual funds. These funds allow investors to participate in sophisticated instruments such as stocks listed on foreign exchanges, variable-interest bills and private bonds; traded in both in euros and dollars. They are tailored to customers who prefer new and competitive instruments.

In 2006, TEB cooperated with its subsidiaries to develop projects in areas such as public offerings and bank insurance and was able to reach a broader client base with its mutual funds. Insurance products began to be offered to customers via all available distribution channels and remarkable growth in premium production was achieved during the year. New insurance products such as My Child's Education, My Family, Medical Staffs' Professional Responsibility, Check-Book Insurance, Credit Card Insurance and Personel Accident Insurance as Loan Collateral were marketed together with banking products. In private pension plans, TEB joined forces with Anadolu Hayat A.Ş. to offer New Life Pension products specially designed for its customers.

Consumer Loans

In 2006 TEB renewed its loan processes; all consumer loan processes have been revised to establish a more effective and standard evaluation process. A new scorecard was developed for credit cards and a decision automation system was activated, using one of the leading evaluation software applications in the industry. Blacklist and intelligence processes were automated using software applications developed within the bank and the efficiency of the evaluation process improved considerably. Decision automation and scorecard development projects were also initiated for housing loans and other personal loans.

Call Centre and Alternative Distribution Channels

2006 was a year of restructuring for the TEB Call Centre. Separate units have been established for telephone banking, outbound calls, customer protection, first payment reminders and customer communication activities.

Several new functions and security measures were added to on-line banking functions in 2006, resulting in a 50% growth in the customer base of the Internet branch. The website at www.teb.com.tr was redesigned to provide visitors with more detailed information for TEB products and services. The marketing website of TEB Bonus Card, at www.tebbonus.com was launched as well and customers were given the opportunity to apply for credit cards on-line.

Important steps were taken during the year toward a broader ATM network and a more diverse service range. Work is in progress to add new functions to the bank's ATMs.

With Joint Point and other ATM sharing systems, the number of ATMs with access to TEB services exceeded 5,000.

Card Payment Systems

TEB enjoyed outstanding growth in credit cards in 2006. At a time when the total number of cards in the banking system went up 8%, TEB's credit card customers increased 61% and its market share skyrocketed 100%.

In November 2006, TEB joined the Bonus Card program and introduced TEB Bonus Cards. This card offers TEB customers the advantages of Bonus Card, the credit card program with the highest brand recognition and the highest number of member shops in Turkey. TEB customers can divide their payments into instalments at more than one hundred thousand shops and earn Bonus points using Turkey's first chip-and-pin, multi-brand Bonus Card.

Increasing its credit card POS revenue 169% in 2006, TEB became the second fastest growing bank in this field.

Retail-SME Banking

Retail-SME Banking aims to provide high-quality services to small businesses. This business line spreads the credit risk of the Bank to a broader client base and contributes to its balance sheet by creating low-cost liabilities and high-margin assets.

In 2006, as a result of a number of system-related arrangements with regard to loan products and efforts to accelerate the loan process, the number of small-business loan clients exceeded 18,000.

Retail-SME Banking has also significantly contributed to the liabilities side of the balance sheet, with the share of Turkish lira time and demand deposits increasing at an accelerating pace.

For Retail-SME Banking, 2006 was a very busy year in alternative distribution channels as well. Call Centre services and banking cards were made available to small business clients, meaning that clients could access the Bank's services 24 hours a day and customer representatives had more time available for sales. Retail-SME Banking became the most important driver of growth in POS transactions. It was a very successful year marked with increasing numbers and volumes.

In 2006, the Bank entered the field of agricultural banking with its greenhouse loans, initiating pilot projects in this field under the guidance of Retail-SME Banking.

A new, simplified workflow for Retail-SME Banking loans was designed in 2006. Data collection processes were revised and simpler processes were implemented for simpler loan applications.

Over the last twenty years, TEB Private Banking has established a tradition and brand with its philosophy of customer-oriented “tailor-made” products for different financial needs and risk profiles in a dynamic economic environment.

Private Banking

Over the last twenty years, TEB Private Banking has established a tradition and brand with its philosophy of customer-oriented tailor-made products for different financial needs and risk profiles in a dynamic economic environment.

Although 2006 was remarkable in the sense that it was the fifth consecutive year of robust growth in Turkey, the increase in total savings was only 5%, much lower than the overall growth of 10% achieved the year before. As a result of intense competition between local and foreign banks that escalated in the second half of the year, deposits have replaced government bonds as the most popular investment tool in 2006.

As the first bank in Turkey to offer exclusive and distinguished services in this segment that it entered back in 1989, TEB achieved 61% annual growth in the asset volume it manages. Especially in the volume of deposits, Turkish lira and foreign currency, TEB Private Banking enjoyed growth rates above industry averages.

Turkey was one of the most affected developing countries when global fluctuation hit in 2006. The fluctuations during May and June caused a dramatic reduction in investors' risk appetite. The mutual funds market diminished 26% during the year. Additionally, the share of liquid funds in the total mutual fund portfolio, which was 68% at the beginning of 2006, went up to 82% by the end of the year.

In 2006, TEB Private Banking cooperated with TEB Asset Management to increase its focus on asset management services. In this segment, TEB Private Banking offers two options, one in which the customer directly participates in decision-making and one in which the customer receives asset management services.

Private banking solutions offered by the bank have been diversified with the addition of BNP Paribas Parvest Funds, the Platinum mutual fund, customized derivative instruments and customized asset management solutions.

TEB Private Banking Department mails its customers regular investment reports, so that they can follow market trends and developments. Key macroeconomic indicators and commentary and detailed analyses of domestic and international markets are included in these reports, along with briefs on mutual fund yields.

At the end of 2006, the total size of the mutual funds managed by TEB was YTL 565,034,000, with a market share of 2.57%. Funds of the TEB Group are also marketed at Citibank and Millennium Bank. The marketing network will expand further with sales agreements to be signed with other institutions in 2007.

As a result of the synergies created with BNP Paribas Asset Management (BNP PAM), six Parvest Funds managed by BNP PAM were registered with the Capital Markets Board and offered to investors in 2006.

Treasury

Markets and Marketing Units

A major player in treasury transactions backed by robust growth in transaction volume, TEB maintained its market-maker position in the interbank market and consolidated its perception as a reliable bank. Furthermore, transactions in derivatives grew 100% in 2006, reaching US$ 3 billion.

In 2006, the Treasury Marketing Department offered a wider range of derivative instruments that provide hedging against interest and exchange rates and commodity risks. TEB also increased its business volume with foreign banks, improving and broadening its product environment.

Capital Markets Department

The Capital Markets Department was well prepared for the market fluctuation that occurred in mid-2006 and successfully limited the possible negative impact of the interest rate hike on the Bank. With the asset-swap portfolio it began to manage during the year and its marketing activities focusing on foreign investors, the Department has assumed a more active role in the market. New capital market instruments available on the market began to be effectively used by the Bank and new services were introduced to customers.

Money Markets Department

The total depository and placement volume of the Money Markets Department increased 10.5% in 2006, reaching US$ 106.8 billion. Total swap volume and total forward transactions volume were US$ 11.7 billion and US$ 8.1 billion, respectively.

The cross currency swap volume also grew considerably compared to the previous year. The Money Markets Department closely monitored the market fluctuation and the number of banks with which transactions were performed, as well as the volume of these transactions, increased.

Asset and Liability Management

The Asset and Liability Department played a crucial role in managing the Bank's risk by using different types of international treasury products in 2006. The Department assisted TEB in gaining depth in the segments it wanted to expand.

Of the 3,565 employees in total 63% hold university degrees and 5.2% graduate degrees. In 2006, employees received 75 hours of training on average, including e-training sessions.

Information Technology

Software development efforts are currently in progress for banking applications that target higher operational efficiency and aim to meet growing customer demand. Compliance with COBIT guidelines is a priority of these efforts and the rearrangement of existing processes for COBIT compliance is ongoing.

All work processes have been examined and re-evaluated jointly with BNP Paribas. Within this framework, processes were considered jointly with the organizational structure and revisions have been made to drive growth. The main objectives of work on process improvement are increased productivity and the establishment of quality standards.

Work has been undertaken in 2006 for compliance with quality standards. In this context, the Operations Group and three pilot branches received ISO 9001:2000 quality certificates.

Technical infrastructure was renewed and its capacity expanded to support the increasing number of branches and employees and growing transaction volumes. The communications network switched to DSL technology to meet growing bandwidth requirements.

System consolidation efforts were made in 2006 as part of the Virtual System integration project and more than one hundred systems were consolidated into three main systems. The technology used in this project is compatible with the open system infrastructure of the Bank and investment and usage costs were radically cut with this project.

Operations

Business Process Reengineering work was carried out jointly with BNP Paribas in the first half of 2006 and the organizational structure of the Banking Operations Group was transformed from a business-line-based architecture to a function-based one.

Similar functions shared by all business lines were consolidated within the scope of the reengineering work, resulting in higher efficiency, synergy and greater focus.

Immediately after the Business Process Reengineering project was completed in May, the Bank started to work on another target for 2006, the ISO 9001 Quality Certificate and the Banking Operations Group received this certificate.

As in previous years, the bank received quality awards from Citibank and the Bank of New York for the error-free performance of its SWIFT payments in 2005.

Human Resources

TEB employees, who numbered 2,630 at the end of the previous year, increased 36% to 3,565, due to the new branches opened in 2006 (one corporate branch, fourteen retail branches, thirty combined branches and twelve affiliated branches). Of the 3,565 employees, 63% hold university degrees, 5.2% graduate degrees and 0.1% have earned doctorates. In 2006, employees received 75 hours of training on average, including e-training sessions.

The main objective of TEB Human Resources Group is to become a centre for the best HR practices in the finance industry. The Bank's human resources policy in light of the above is as follows:

- Human resources are the most important capital TEB owns to achieve its strategic targets.
- Within the scope of the TEB Talent Pool, people are recruited who are well-educated, open to innovation and change, have entrepreneurial skills, are energetic and dynamic, possess potential for self-development, are team players and can adopt and commit themselves to corporate values.
- Ensures that dynamism and readiness for change in the organizational structure is in line with the strategic plans and goals of the TEB Group.
- Utilises human resources in the most effective and productive manner in conformity with the Bank's targets and strategies, supporting employees with development programs that are in line with both professional and personal career goals indicated in employees' career plans and creates career opportunities by ensuring employees' participation in advanced BNP Paribas training courses.
- Considers training and development as an investment in human resources and contributes to the development of employees in line with the TEB Group's targets and strategies within the framework of the continuous learning and development philosophy of the TEB Formation Academy.
- Trains future managers from within the organization and prioritises applicants from within the Bank for future positions.
- Improves individual and team performance through continuous quality improvement using advanced methods and systems, focusing on rewarding schemes in the Performance Assessment System that recognize superior performance and giving everyone equal opportunity within the context of their career maps.
- The Human Resources Group contributes to the productivity and performance of the Bank's branches, providing all employees with quick and effective HR support. To this end, HR mentors have been designated for all branches that also serve as career advisors to the personnel.

To date, there have been no complaints about discrimination.

Market Position of TEB

A comparison of banking indicators as of 30 September 2006 and 31 December 2005 and the Bank's position in the industry expressed in numerical terms proves that TEB has grown faster than the industry.

A comparison of banking indicators as of 30 September 2006 and 31 December 2005 and the bank's position in the industry expressed in numerical terms proves that TEB has grown faster than the industry.

- While total assets of the industry grew 16%, TEB's assets increased 37%,
- While total loans in the industry grew 33%, TEB's loans increased 41%,
- While total deposits in the industry grew 16%, TEB's deposits increased 51%,
- While number of employees in the industry grew 6.5%, TEB's number of employees increased 22%.

The Bank's share in the industry in terms of the main indicators and their positive development is illustrated below:

(YTL thousand)	30 September 2006			31 December 2005		
	TEB	Industry*	TEB's Share (%)	TEB	Industry*	TEB's Share (%)
Total Assets	7,440,019	460,988,505	1.61%	5,421,866	396,970,059	1.37%
Total Loans	4,145,356	203,753,107	2.03%	2,938,644	153,059,052	1.92%
Total Deposits	4,888,317	294,561,669	1.66%	3,242,197	253,578,919	1.28 %
Number of Branches	145	6,575	2.19%	113	6,247	1.79%
Number of Employees	3,211	140,888	2.28%	2,630	132,258	1.99%

*Source: Banks Association

Comparison of the Bank's balance sheet composition with that of the industry produces the following results:

Share in Balance Sheet (%)	30 September 2006 TEB	30 September 2006 Industry*	31 December 2005 TEB	31 December 2005 Industry*
Liquid Assets	24	14	19	16
Securities	15	34	21	36
Loans	56	44	54	39
Fixed Assets	1	2	1	2
Others	4	6	5	7
Total Assets	100	100	100	100
Deposits	66	64	60	64
Money Markets	9	5	14	4
Borrowed Funds	12	13	12	11
Subordinated Loans	4		2	
Others	2	6	3	7
Shareholders' Equity	7	12	9	14
Total Liabilities and Shareholders' Equity	100	100	100	100

*Source: Banks Association

In addition to these positive developments in the Bank's market position, its NPL ratio dropped from 1.1% to 0.9% over the previous year, while total loans portfolio went up 67%. TEB is currently one of the banks in the industry with the lowest NPL ratios.

R&D Efforts for New Services and Activities

TEB SME TV gives SMEs the opportunity to obtain information and training in the areas they need most, to receive expert comments and to get the latest news about their industry.

TEB SME TV

Aiming to add value to SMEs, TEB launched TEB SME TV, an Internet TV at www.tebkobitv.com that provides a platform with dynamic content for SMEs where they can have uninterrupted 24/7 access to information and take advantage of training programs.

TEB SME TV gives SMEs the opportunity to obtain information and training in the areas they need most, to receive expert comments and to get the latest news about their industry. TEB SME TV includes summaries of TEB SME Academy meetings, interviews with customers, interviews with the representatives of relevant institutions on issues such as the place of SMEs in Turkey's economy, industry-specific reports, etc. Considering that growth is crucial for SMEs, TEB SME TV features two programs called Growth Scenarios for SMEs and Importance of R&D and TDFT Support, where the support the Technology Development Foundation of Turkey provides for R&D projects is discussed.

Aiming to add value to SMEs, TEB launched 'TEB SME TV' an Internet presentation on www.tebkobitv.com that provides a platform with dynamic content for SMEs where they can have uninterrupted 24/7 access to information and take advantage of training programs.


TEB

TEB Financial Services Group

The resulting synergies and mutual trade opportunities between TEB's financial institutions have significantly improved the competitiveness of the group as a whole.

The TEB Financial Services Group is comprised of the subsidiaries of TEB Financial Investments, including TEB and a leasing company, a factoring company, an investment and brokerage house, a company dealing with insurance and an asset management company, as well as The Economy Bank NV based in Amsterdam. The resulting synergies and mutual trade opportunities between these financial institutions have significantly improved the competitiveness of the group as a whole.

Loans extended by TEB A.Ş. to its partners and subsidiaries constitute only 0.89% of the total loans portfolio of the bank.

The Economy Bank NV (TEB NV)

TEB NV is a wholly owned subsidiary of TEB and became operational in Amsterdam in November 1998. The subsidiary is subject to the banking regulations and principles of the Netherlands. The paid-in capital of TEB NV was EUR 30 million in 2006.

With its extensive network of correspondents, TEB NV offers foreign trade finance, corporate, retail and private banking, forfeiting and treasury services.

According to 2006 data, the operating profit of TEB NV increased 11% during the year, mainly as a result of the 29% rise in cash loans, while growth in expenses was rather limited at 9%. Over the same period, pre-tax profit went up 12%, to EUR 7,671,000 and foreign trade volume rose 16%, to EUR 1,378,687,000.

TEB Finansal Kiralama A.Ş. (TEB Leasing)

Specializing in long-term finance of equipment, TEB Leasing provides leasing services to clients investing in machinery and equipment. TEB Leasing was established in 1997 and, as of 2006, its paid-in capital was YTL 29,500,000. In 2006, the company increased its transaction volume 53%, reached a wider client base with 1,575 transactions during the year and managed to become one of the key players in this industry with a transaction volume above US$ 200 million and a market share of 3.8%. This growth has also positively affected the company's profitability. Financial statements prepared in accordance with IFRS show that, with an after-tax profit of YTL 9,025,000, the ROE ratio reached 26.9%.

Another important change for the industry in 2006 came with a regulation issued on 10 October 2006, which transferred the task of supervising the leasing industry from the Undersecretariat of the Treasury to the Banking Regulation and Supervision Agency.

The business philosophy of the company is to finance the right investment with the right method, to establish healthy relationships based on mutual trust and to handle projects with a customer-oriented and customized approach.

TEB Leasing is a leading finance expert for corporate investors who want to expand and modernize their facilities, to enter new areas of production, to expand their distribution channels, to invest in energy-saving measures, to enter new business fields and to increase their capacity. The company also serves SMEs and entrepreneurs who want to have a sound budget, to access new technology, to open a new office or workplace or to launch a new business line. In 2006, TEB Leasing served clients in various industries such as automotive, metal processing, food, textile, construction and healthcare. The company's main distribution channels have been TEB branches, vendors and direct marketing.

With its strong long-term relations with clients, TEB Leasing has grown faster than the industry in 2006, without compromising its asset quality.

With the cooperation agreement it signed with BPLG, the leasing company of BNP Paribas, in 2006, TEB Leasing improved the quality of the services it provides to clients as part of the global business network of BPLG. Thanks to this extensive network, the sales-supporting leasing models that are available in European countries can also be implemented in Turkey, subject to local conditions. Several business partners of BPLG in Europe have become TEB Leasing's business partners as well.

Committed to improving operational processes aimed at customer satisfaction, TEB Leasing experienced continuous development in 2006, in terms of both the speed and quality of transactions, successfully responding to clients' needs at maximum quality.

TEB Factoring is one of the three largest companies in the industry and offers export, import and domestic factoring products to corporate and commercial clients, as well as SMEs.

TEB Factoring A.Ş.

In another move toward accomplishing TEB's objective to become a fully integrated financial services group, TEB Factoring was established in 1997 to provide both domestic and international factoring services. A member of FCI (Factors Chain International), TEB Factoring is a leading organization in Turkey dealing in export factoring and forfeiting transactions. TEB Factoring has a paid-in capital of YTL 6,200,000 and is wholly owned by TEB A.Ş.

In 2006, TEB Factoring increased its revenue from domestic operations by 29%, to YTL 1,158 million and its export-related revenue by a massive 139%, from YTL 157 million to YTL 376 million, ending the year with an overall growth of 45% and total revenue of YTL 1,534 million. Total assets in the company's IFRS-compliant balance sheet rose 58%, from YTL 189 million to YTL 298 million and its profit improved 77%, from YTL 3.9 million to YTL 6.9 million.

TEB Factoring is one of the three largest companies in the industry and offers export, import and domestic factoring products to corporate and commercial clients, as well as SMEs.

With the support of the TEB Group and the Bank's partner BNP Paribas, the extensive funding sources and international connections of TEB make the company one of the strongest players in international transactions as well and help it maximize service quality.

TEB Yatırım Menkul Değerler A.Ş. (TEB Investment)

TEB Investment is active in capital market transactions in accordance with the Capital Markets Law No: 2499 and other applicable legislation. Within this framework, TEB Investment offers services such as the brokerage of previously issued securities, the issuing and public offering of securities, the trading of repo and reverse repo transactions, investment consultancy services, client portfolio management, margin trading, short-selling, securities lending, brokerage of derivatives instruments and their safekeeping.

The paid-in capital of TEB Investment, which was established in 1996, is YTL 12,950,000, wholly owned, directly and indirectly, by TEB A.Ş. TEB Investment also has a subsidiary stake in TEB Asset Management.

TEB Investment holds the following certificates: Securities Brokerage, Intermediation for Public Offering, Asset Management, Investment Consulting Services, Repo-Reverse Repo Transactions, Margin Trading, Short Selling and Securities Lending, Intermediation of Derivatives Instruments (on the Turkish Derivatives Exchange).

Summary of Operational Results in 2006

• Gross profit (unconsolidated)	YTL 12,005,000
• Net profit (unconsolidated)	YTL 9,986,000
• Market share on the ISE Stock Market	2.7%
• Rank on the ISE Stock Market	10th

At the end of 2006:

- Shareholders' equity reached YTL 33,037,000
- ROE was 36.43%
- Number of personnel, which was 115 at the end of 2005, went up to 134.

Since its inception, TEB Asset Management has been committed to being a trusted company that is one step ahead of the competition in the asset and portfolio management industry with its efficient human resources and innovative products.

TEB Portföy Yönetimi A.Ş. (TEB Asset Management)

TEB Asset Management was established in 1999 as a company managing all investment portfolios of the Group. It has a paid-in capital of YTL 2,409,917 and is wholly owned by TEB A.Ş.

Summary of Operational Results in 2006

• Gross income	YTL 5,892,000
• Net income	YTL 4,712,000
• Market share	2.77%

Since 2000, TEB Asset Management has been managing the funds of the TEB Group, which, as of the end of 2006, had a market share of 8.85% in Type-A funds, 6.70% in non-liquid funds and 2.77% the aggregate.

TEB Asset Management also started offering discretionary portfolio management services in June 2004. The purpose of these services is to identify the investor profile of private and corporate investors through risk-return analyses and determine the investment model that would offer the most appropriate balance between risk and return. As part of these services, both private and corporate customers are offered professional portfolio management services, making use of all kinds of financial assets and instruments. As of the end 2006, the market share in services offered to individuals (private asset management) was 27.4%.

At the end of 2005, the company enhanced its services and began to offer corporate asset management services for corporate clients. These services were created in response to the tendency of corporations to focus on their core business and in view of their need for experienced professionals in making investment decisions. At the end of 2006, market share in corporate asset management services was 4.57%.

Since its inception, TEB Asset Management has been committed to being a trusted company that is one step ahead of the competition in the asset and portfolio management industry with its efficient human resources and innovative products.

Deloitte.

DRT Bağımsız Denetim ve
Serbest Muhasebeci
Mali Müşavirlik A.Ş.
Sun Plaza
No: 24
34398 Maslak
İstanbul, Türkiye

Tel : (212) 366 60 00
Fax : (212) 366 60 10
www.deloitte.com.tr

Opinion of the Independent Audit Firm on the Annual Report

To the General Assembly of Türk Ekonomi Bankası A.Ş.:

We have been appointed to audit the annual report of Türk Ekonomi Bankası A.Ş., prepared as of 7 March 2007. The annual report being audited is under the responsibility of the Bank's management. As the institution performing an independent audit, our responsibility is to express an opinion on the annual report, base on our comparison of the financial data contained in the annual report against data contained in the independently audited financial statements.

The audit has been conducted in accordance with the principles and standards governing the preparation and publication of annual reports as well as the regulation on the principles of independent auditing set out in the Banking Law No: 5411. These regulations require that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misrepresentations. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial information contained in this annual report present fairly, in all material respects, the financial position of Türk Ekonomi Bankası A.Ş. as of 31 December 2006 in accordance with the principles and standards set out in Article 40 of the Banking Law No: 5411, the annual report contains the report of the Board of Directors as well our opinion as Independent Auditors, and is compatible.

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

Member of DELOITTE TOUCHE TOHMATSU

Hasan Kılıç
Partner, Chief Auditor

Istanbul, 7 March 2007

At the Excellence in Payments Innovation Awards organized by the European Payments Consulting Association (EPCA), TEB won the High Distinction Award in the Most Innovative and Cost-Effective Payments Processing Solution category.


USA
48000
USA
48001
A-48001
48004

Chairman and Members of the Board of Directors

Name	Position
Yavuz Canevi	Chairman
Dr. Akın Akbaygil	Vice Chairman and Executive Member
Jean Jacques Marie Santini	Vice Chairman
Alain Pierre André Bailly	Member
Michel Roger Chevalier	Member
Varol Civil	Executive Member and General Manager
Refael Taranto	Member
Metin Toğay	Member
İsmail Yanık	Member

Yavuz Canevi, Chairman

1996-present	Türk Ekonomi Bankası A.Ş. (TEB), Chairman of the Board of Directors
1993-2005	Istanbul Stock Exchange, Vice Chairman and Board Member
1989-2005	Euro Turk Bank, Chairman of the Executive Board
1987-1989	Türk Eximbank, Chairman
1986-1989	Undersecretary of Treasury and Foreign Trade, Prime Minister's Office
1984-1986	Central Bank of Turkey, Governor
1980-1984	Central Bank of Turkey, Vice Governor
1979-1980	T. Garanti Bankası, Assistant General Manager in Charge of International Relations
1976-1979	Central Bank of Turkey, Director General of Foreign Exchange
1974-1975	Ministry of Finance, Tax Inspector

Academic Background:
Georgia State University, USA, Faculty Member; University of Southern California (USC), USA; Ankara University, Faculty of Political Science, Department of Public Finance and Economics

Professional Background:
TEB, Chairman of the Board
TEB Investment, Chairman of the Board
TEB NV, Holland, Chairman of the Board
TEB Financial Investments, Member of the Board
FNSS Savunma Sistemleri A.Ş., Chairman of the Board
TSKB, Member of the Board
Hedef Alliance A.Ş., Member of the Board
NETAŞ, Member of the Board

Dr. Akın Akbaygil, Vice Chairman and Executive Member

2005-present	TEB Leasing and TEB Factoring, Chairman; TEB Financial Investments, Board Member
2004- present	TEB Asset Management, Chairman
2003-present	TEB, Vice Chairman and Executive Member; TEB Financial Investments, General Manager
2003-2005	TEB Financial Investments, Vice Chairman
2001-2002	Banks Association of Turkey, Vice Chairman
1998-present	TEB NV, Vice Chairman
1997-2005	TEB Insurance, Chairman; TEB Factoring, Board Member
1996-2005	TEB Leasing, Board Member
1994-2001	Banks Association of Turkey, Board Member
1987-2003	TEB, Vice Chairman, Executive Member and General Manager
1982-1987	TEB, Executive Member
1965-1982	Akbank, Director of Foreign Affairs

Academic Background:
Istanbul University, Faculty of Economics, BA and PhD

Jean-Jacques Marie Santini, Vice Chairman

2005-present	TEB, Board Member; TEB Financial Investments, Board Member
2003-present	BNP Paribas Group, Member of the General Management Group Committee; Head of International Retail Banking Group
1998-2003	BNPP, Country Manager in Morocco; CEO of Banque Marocaine pour le Commerce et l'Industrie
1994-1998	BNPP, Country Manager and Chief Executive Officer in Belgium
1988-1994	BNPP, Head of International Development Department at BNP Head Office in Paris
1986-1988	Ministry of Finance, Treasury, Head of Financial Markets Forecast Unit
1984-1986	Ministry of Finance, Treasury, Vice Head of European Economies Unit

Academic Background:
Graduate of Institut d'Etudes Politiques de Paris (ICP), Paris University, MA in Law Ecole des Hautes Etudes Commerciales (HEC), MBA Graduate of National School of Public Administration (ENA)

Alain Pierre André Bailly, Member

2005-present	TEB, TEB Investment, TEB Insurance, TEB Asset Management, Board Member
2001-2005	BNP Paribas Luxembourg, Executive Member
2000-2001	BNP Paribas Singapore, CEO and Regional President
1994-2000	BNP Singapore, CEO and Regional President (supervision of BNP branches and representative offices in Indonesia, Thailand, Vietnam, Malaysia and Myanmar, as well as the bank and leasing company in Jakarta and Surabaya)
1992-1994	BNP Australian Group in Sydney, General Manager
1990-1991	BNP Paris, Asia-Pacific Division, Vice Head
1985-1990	BNPI, Reunion, General Manager
1979-1985	BNP Paris, Inspection Générale, Inspector
1974-1979	BNP Saint-Brieuc, France, Assistant Branch Manager
1973-1974	BNP Arles, France, Vice Branch Manager

Academic Background:
Institute of Political Sciences (Public Administration), Paris, 1971
University of Rouen, BA, 1968

Michel Roger Chevalier, Member

2005-present	TEB, Board Member; TEB Financial Investments, Board Member
2005-present	BNP Paribas Group, President, Europe and Near East International Retail Banking and Financial Services - Overseas and Developing Markets
1993-2004	BNPP, Latin America Regional Director - International Banking and Finance - Paris
1990-1993	BNPP, Vice General Manager of BICI, a BNP subsidiary - Douala - Cameroon
1987-1990	BNPP, Executive Vice-President Banco Cidade de Sao Paolo, Sao Paolo, Brazil
1984-1987	BNPP, Vice General Manager, BNP Branch Taipei, Taiwan
1981-1984	BNPP, Inspector, BNP Inspection Board
1978-1981	BNPP, Vice General Manager, BNP Branch Manila, Philippines
1975-1978	BNPP, Analyst; Corporate Banking Customer Representative, BNP Canada Inc. Montreal and later Toronto, Canada
1973-1975	BNPP, Analyst; BNP Correspondent Banking, Asia

Academic Background:
University of Bordeaux, France, Foreign Languages, 1971

Varol Civil, Executive Member and General Manager

2005-2006	TEB Insurance, Chairman
2003-2004	TEB Insurance, Vice Chairman
2003-present	TEB, Board Member and General Manager; TEB NV, TEB Leasing, TEB Factoring and TEB Asset Management; Board Member
1998-2003	TEB Financial Investments, General Manager; TEB, Board Member and Vice General Manager
1995-1997	Bank Kapital, Board Member and General Manager
1992-1995	Arap Türk Bankası, Assistant General Manager
1985-1992	Undersecretariat of Treasury and Foreign Trade, Certified Bank Auditor
1983-1984	TEB, Expert in Loan and Insurance Department

Academic Background:
Marmara University, Contemporary Business Management Program, 1992-1993; Istanbul University, Faculty of Economics, Economics and Business Administration Department, 1978-1982

Rafael Taranto, Member

2000-present	TEB, Board Member
1987-2000	TEB, Executive Member
1976-1987	Egebank, Izmir, Vice General Manager and later Board Member
1964-1976	Türk Dış Ticaret Bankası A.Ş., Izmir, Assistant Manager in charge of Loans and Correspondent Banking
1952-1964	Türkiye Kalkınma Bankası A.Ş., Izmir, various positions

Academic Background:
Graduate of Saint Michel College, Istanbul

Metin Toğay, Member

2005-present	TEB, Board Member
2000-present	BNP Paribas, Regional Director, Turkey
1997-2000	Banque Paribas, Turkey Representative Office, Assistant of Turkey Representative
1996-1997	Finans Yatırım A.Ş., Istanbul, Turkey, General Manager
1994-1996	Banque Paribas, Paris, France, Head Office, International Executive, Commodities Trade Finance
1991-1994	Ottoman Bank, Istanbul (Subsidiary of Banque Paribas until April 1996), Head Office Manager
1989-1991	Finansbank A.Ş., Corporate Finance Department Manager
1986-1989	Chase Manhattan N.A., Istanbul, Corporate Banking Manager
1984-1985	K-Mart Corporation, Troy-Michigan, USA, Assistant Store Manager

Academic Background:
University of Wisconsin, USA, MBA in Marketing, 1981; Middle East Technical University (METU), B.Sc. in Business Administration, 1980

İsmail Yanık, Member

2005-present	TEB, Board Member in charge of Internal Audit; TEB NV, Member of Audit Committee
2002-2005	TEB, Executive Member in charge of Risk Management
2002-2005	TEB NV, Board Member
1996-2005	Istanbul Gold Exchange, Board Member and Vice Chairman
1992-2001	TEB, Assistant General Manager, Treasury
1984-1992	Citibank, Istanbul, various administrative positions

Academic Background:
University of Istanbul, Faculty of Economics, (PhD writing dissertation), 2004; Harvard Business School, AMP diploma, 1999; Boğaziçi University, MS in Industrial Engineering, 1982; METU, BS in Industrial Engineering, 1979

Members of the Audit Committee

Name	Position
Alain Pierre André Bailly	Chairman
İsmail Yanık	Vice Chairman

Alain Pierre André Bailly, Chairman of the Audit Committee

2005-present	TEB, TEB Investment, TEB Insurance, TEB Asset Management, Board Member
2001-2005	BNP Paribas Luxembourg, Executive Member
2000-2002	BNP Paribas Singapore, CEO and Regional President
1994-2000	BNP Singapore, CEO and Regional President (supervision of BNP branches and representative offices in Indonesia, Thailand, Vietnam, Malaysia and Myanmar, as well as the bank and leasing company in Jakarta and Surabaya)
1992-1994	BNP Australian Group in Sydney, General Manager
1990-1991	BNP Paris, Asia-Pacific Division, Vice Head
1985-1991	BNPI, Reunion, General Manager
1979-1986	BNP Paris, Inspection Board, Inspector
1974-1980	BNP Saint-Brieuc, France, Assistant Branch Manager
1973-1975	BNP Arles, France, Vice Branch Manager

Academic Background:
Institute of Political Sciences (Public Administration), Paris, 1971
University of Rouen, BA, 1968

İsmail Yanık, Vice Chairman of the Audit Committee

2005-present	TEB, Board Member in charge of Internal Audit; TEB NV, Member of Audit Committee
2002-2005	TEB, Executive Member in charge of Risk Management
2002-2005	TEB NV, Board Member
1996-2005	Istanbul Gold Exchange, Board Member and Vice Chairman
1992-2001	TEB, Assistant General Manager, Treasury
1984-1992	Citibank, Istanbul, various administrative positions

Academic Background:
University of Istanbul, Faculty of Economics, (PhD writing dissertation), 2004; Harvard Business School, AMP diploma, 1999; Boğaziçi University, MS in Industrial Engineering, 1982; METU, BS in Industrial Engineering, 1979

Executive Management

Name	Position
Varol Civil	Executive Member and General Manager
Nilsen Altıntaş	Assistant General Manager, Human Resources
Ünsal Aysun	Assistant General Manager, Corporate Banking
Turgut Boz	Assistant General Manager, Commercial Banking
Levent Çelebioğlu	Assistant General Manager, Financial Institutions
Turgut Güney	Assistant General Manager, Information Technologies
İ. Cemal Kişmir	Assistant General Manager, Retail Banking
Ümit Leblebici	Assistant General Manager, Treasury
E. Sevinç Özşen	Assistant General Manager, Financial Affairs
Saniye Telci	Assistant General Manager, Operations
Nuri Tuncalı	Assistant General Manager, Loans and Financial Analysis

Varol Civil, Executive Member and General Manager

2005-2006	TEB Insurance, Chairman
2003-2004	TEB Insurance, Vice Chairman
2003-present	TEB, Board Member and General Manager; TEB NV, TEB Leasing, TEB Factoring and TEB Asset Management; Board Member
1998-2003	TEB Financial Investments, General Manager; TEB, Board Member and Vice General Manager
1995-1997	Bank Kapital, Board Member and General Manager
1992-1995	Arap Türk Bankası, Assistant General Manager
1985-1992	Undersecretariat of Treasury and Foreign Trade, Certified Bank Auditor
1983-1984	TEB, Expert in Loan and Insurance Department

Academic Background:
Marmara University, Contemporary Business Management Program, 1992-1993; Istanbul University, Faculty of Economics, Economics and Business Administration Department, 1978-1982

Nilsen Altıntaş, Assistant General Manager, Human Resources

2005-present	TEB, Assistant General Manager, Human Resources
2002-2005	İnovasyon Bilişim Danışmanlık ve Eğitim Hizmetleri (Innovative-HR) Founder, Management and Human Resources Consultant
2000-2002	Eczacıbaşı Holding A.Ş., Human Resources and Corporate Communications Coordinator, Member of the Executive Board
1995-2000	Eczacıbaşı Holding A.Ş., Human Resources Director, Manager and later Coordinator
1990-1995	STFA Holding A.Ş., Organization and Human Resources Coordinator
1987-1990	STFA Holding A.Ş., Investments and Economic Analysis Manager
1979-1987	TÜBİTAK- Marmara Scientific and Technical Research Institute, Chemical Technologies Group, Research Specialist

Academic Background:
Boğaziçi University, Associate Professor, 1987; Istanbul Technical University, PhD in Industrial Chemical Engineering, 1983; Boğaziçi University, MS in Chemical (Process) Engineering, 1979; Boğaziçi University, BS in Chemical Engineering, 1977

Ünsal Aysun, Assistant General Manager, Corporate Banking

2006-present	TEB Insurance, Board Member
2002-present	TEB Factoring, Board Member
2000-present	TEB Leasing, Board Member
1999-present	TEB, Assistant General Manager, Corporate Banking and Cash Management
1997-1999	TEB, Assistant General Manager, Cash Management
1995-1997	Demirbank, Cash Management Department Head
1985-1995	İktisat Bankası, Loan Marketing Manager, Branch Manager, Cash Management Unit Director
1984-1985	UETB, Medium-Term Loans Department, Project Evaluation Expert
1980-1984	Türkiye Şişe ve Cam Sanayi A.Ş., Budget and Financial Control Department, Assistant Expert

Academic Background:
Istanbul University, Faculty of Business Administration - MA, 1979 -1980; Istanbul University, Faculty of Business Administration - BA (Finance Department)

Turgut Boz, Assistant General Manager, Commercial Banking

2004-present	TEB Leasing and TEB Factoring, Board Member
2003-present	TEB, Assistant General Manager, Commercial Banking
2000-2003	Garanti Bank, Commercial Marketing Unit Head
2000-2000	Ottoman Bank, Commercial Banking Coordinator
1995-2000	Finansbank Denizli and Ankara Branch Manager
1994-1995	Ata Invest, Denizli Branch Manager
1989-1994	Egebank, Bornova and Denizli Branch Manager
1986-1989	Pamukbank, Karabağlar Branch Manager
1981-1986	Pamukbank, Audit Department, Internal Auditor

Academic Background:
Ankara University, Academy of Economic and Administrative Sciences, Banking and Insurance, 1976-1980

Executive Management

Levent Çelebioğlu, Assistant General Manager, Financial Institutions

2004-present	TEB, Assistant General Manager, Financial Institutions Group
1999-2004	TEB, Member; Project Finance and Investor Relations Departments
1992-1999	TEB, Treasury Department Manager
1988-1992	TEB, Correspondent Relations Department, Assistant Manager
1987-1988	Yaşarbank, Correspondent Relations Department, Assistant Manager

Academic Background:
Dokuz Eylül University, Faculty of Economics, Monetary Economics and Banking Department, 1979-1983

Turgut Güney, Assistant General Manager, Information Technologies

2004-present	TEB, Assistant General Manager, Information Technologies
2000-2004	TEB, Information Technologies Director
1997-2000	Demirbank, Information Technologies Coordinator
1995-1997	Oracle Consulting Services, USA, Senior Consultant
1994-1995	CTG (Computer Task Group), USA, Senior Consultant
1992-1994	Southern Illinois University, USA, Research Assistant
1990-1992	Turkish Development Bank, System Analyst

Academic Background:
Southern Illinois University, USA, MS in Computer Science, 1992-1994; Hacettepe University, Computer Science, 1985-1990

İ. Cemal Kişmir, Assistant General Manager, Retail Banking

2005-2006	TEB Insurance, Board Member
2005-present	TEB, Assistant General Manager, Retail Banking
2002-2005	Garanti Bankası, Retail and Corporate Banking Manager
2001-2002	Garanti Bankası, Customer Relations and Marketing Manager
1998-2001	Garanti Bankası, Retail Banking Manager
1997-1999	Garanti Bankası, Credit Cards Manager
1990-1994	Mobil Oil Turkey, Retail Programs Associate
1987-1989	Tekfen Foreign Trade, Area Coordinator

Academic Background:
University of Hartford, Barney School of Business, USA - Executive MBA, 1994-1996; Marmara University, Contemporary Management, Postgraduate Program, 1986-1988; Marmara University, Faculty of Economics and Administrative Sciences, Business Administration, 1982-1986

Ümit Leblebici, Assistant General Manager, Treasury

2001-present	TEB, Assistant General Manager, Treasury
1999-2001	TEB, Treasury Director
1997-1999	Ottoman Bank, Treasury Manager
1997-1997	Ulusal Bank, Treasury Manager
1991-1997	Midland Bank, Treasury Manager

Academic Background:
Istanbul University, MS in Finance, 1988-1994; Istanbul University, Faculty of Business Administration, 1984-1988

E. Sevinç Özşen, Assistant General Manager, Finance

2006-present	TEB Leasing, Auditor
2006-present	TEB Factoring, Auditor
2006-present	TEB Investment, Auditor
2005-2006	TEB Insurance, Auditor
2004-2006	TEB Precious Metals, Board Member
2002-2003	TEB Insurance, Auditor
2001-present	TEB, Assistant General Manager, Finance and Support Operations
2000-2001	TEB Factoring, Vice General Manager
1998-2000	TEB Factoring, Assistant General Manager, Financial and Administrative Affairs
1997-1998	Komili Holding, Finance and Administration Coordinator
1993-1997	Bush Boake Allen Perfume and Aromatics, Finance and Administrative Manager
1990-1993	Price Waterhouse-Başaran SMMM, Auditor
1988-1990	Touche Ross-Denet Mali Danışmanlık, Auditor

Academic Background:
Marmara University, Department of Economics, 1982-1986

Saniye Telci, Assistant General Manager, Operations

2005-present	TEB, Assistant General Manager, Operations
1999-2005	TEB, Operations Manager, Branch and Headquarter Operations & Treasury Operations
1997-1999	T. Garanti Bankası A.Ş., Operation Centre, Operations Manager
1994-1997	T. Garanti Bankası A.Ş., Istanbul 1st Region Operations and Kozyatağı Corporate Branch, Operations Manager; Istanbul 2nd Region Operations and Istanbul Corporate Branch, Operations Manager
1991-1994	T. Garanti Bankası A.Ş., Istanbul 3rd Region Operations, Assistant Manager
1987-1991	T. Garanti Bankası A.Ş., Foreign Transactions Department, Assistant Supervisor and Assistant Manager
1984-1987	Anadolu Bank T.A.Ş., Foreign Transactions Department, Foreign Exchange Assistant Expert

Academic Background:
Istanbul University, Faculty of Economics, 1977-1982

Nuri Tuncalı, Assistant General Manager, Loans and Financial Analysis

2001-present	TEB, Assistant General Manager, Loans and Financial Analysis
1999-2001	TEB, Loan Allocation Department, Director
1996-1999	TEB, Loan Allocation Department, Manager
1988-1996	TEB, Loan Control, Gayrettepe Branch, Loan Allocation, Assistant Manager
1986-1988	TEB, Audit Department, Auditor
1984-1986	Akbank, Audit Department, Auditor

Academic Background:
Boğaziçi University, Faculty of Administrative Sciences, Business Administration Department, 1978-1982

Managers Responsible for Internal Systems, Audit and Risk Management

Name	Position
Ayşe Özdemir	Head of Group Compliance and Operational Risk
Hakan Tıraşın	Head of Internal Audit
Joannes Bonnel	Head of Group Risk Management

Ayşe Özdemir, Head of Group Compliance and Operational Risk

2006-present	TEB A.Ş., Chairman of Group Compliance, Internal Control and Operational Risk
2003-2005	TEB Financial Investments, Audit Coordinator
2000-2003	Banking Regulation and Supervision Agency, Certified Bank Auditor
1995-2000	Undersecretariat of the Treasury, Certified Bank Auditor

Academic Background:
Ankara University, Faculty of Political Sciences, Department of Business Administration, 1991-1995

Hakan Tıraşın, Head of Internal Audit

2005-present	Head of Internal Audit
2004-2005	TEB, Assistant General Manager, Organization, Banknote Markets and Support Services and Secretary General
1992-2004	TEB, Secretary General
1989-1992	TEB, Internal Auditor
1973-1989	Akbank, Branch Manager and Internal Auditor

Academic Background:
Istanbul Academy of Economics and Business Administration, 1972-1977

Joannes Bonnel, Head of Group Risk Management

2005-present	TEB A.Ş., Head of Group Risk Management; TEB NV, TEB Leasing, TEB Factoring, Board Member
2000-2005	BMCI Morocco, Head of Group Risk Management
1996-2000	BNP Paribas, Paris, Senior Credit Officer
1992-1996	BNP Spain, Head of Corporate and Commercial Banking
1988-1992	BNP Canada, Head of Large Corporations Department
1985-1988	BNP Venezuela, Regional Manager for Venezuela and Ecuador; Manager of the Representative Office in Caracas
1983-1985	BNP Colombia, Vice Regional Director, Representative Office in Bogota
1979-1983	BFP Panama, Colon Free Zone, Head of Corporate Relations
1976-1979	BICIG Gabon, Head of Loans Department
1974-1976	BNP Guadeloupe, Vice Head of Loans Department
1970-1974	BNP Headquarters and BNP Lyon, various positions, internship and loan analyst, (Department, Assistant Expert)

Academic Background:
ITB, 1973 Two-year program at the Business Administration Faculty in France, 1967-1968 Baccalaureate, 1966

Statutory Auditors

Ayşe Aşardağ, Statutory Auditor

2002-present	TEB Precious Metals, Auditor
2001-present	TEB Financial Investments, Budget and Financial Control Coordinator; TEB Insurance and Varlık Investment Trust, Board Member; TEB, TEB Leasing, TEB Factoring, TEB Investment, TEB Asset Management, Auditor
1995-2000	TEB, Budget and Financial Control Unit
1987-1994	Price Waterhouse, Istanbul, London, Audit Unit

Academic Background:
University of Glamorgan, Lecturer in Accounting, 1994 - 1995
Institute of Chartered Accountants in England and Wales, ACA, 1992
Boğaziçi University, Faculty of Administrative Sciences, Business Administration Department, BS, 1987

Cihat Madanoğlu, Statutory Auditor

2006-present	TEB Insurance, Board Member
2006-present	Türk Ekonomi Bankası A.Ş., Auditor
2005-present	Economy Bank Offshore, Board Member
2005-2006	TEB Insurance, Auditor
2005-2006	TEB Factoring, Board Member
2004-present	Ege Turizm ve İnşaat A.Ş., Board Member
2004-2006	TEB Leasing, Board Member
2002-2006	TEB Investment, Auditor
2001-present	TEB Financial Investments, Coordinator
2002-present	TEB Precious Metals, Auditor
2000-2004	TEB Leasing, Auditor
1999-2001	TEB Investment, Auditor
1997-2005	TEB Insurance, Board Member
1997-2005	TEB, Board Member
1997-2004	TEB Factoring, Auditor
1997-2000	TEB Leasing, Board Member
1997-1999	TEB Investment, Board Member
1996-2001	TEB, Assistant General Manager
1992-1996	Housing Development Administration of Turkey, Director of Administration and Finance
1989-1992	ATAUM, Ankara University, Lecturer in EU Budget and Indirect Tax Harmonization
1988-1992	Ministry of Finance, Chief Public Auditor
1978-1988	Ministry of Finance, Public Auditor
1977	Tax Officer

Credit Committee and Other Committees

Credit Committee

The Credit Committee extends loans in accordance with the rules of the Banking Regulation and Supervision Agency and within the powers and limits specified by the Board of Directors.

Chairman : Dr. Akın Akbaygil
Vice Chairman : Varol Civil
Member : Yavuz Canevi

Audit Committee

The Audit Committee was established to centralize audit systems, validate procedures, monitor and audit risks in the eight risk categories below:

- Credit and counter party risk: Default by third parties
- Market and liquidity risk: Market price fluctuations
- Administrative risk: Appropriate administration of operations (including operational risk)
- Legal risk: Conformity with tax law and other legislation
- Accounting risk: Conformity with regulations and legally acceptable presentation of accounts
- IT risk: Adequacy and security of systems
- Human resources risk: Adequacy of staff with regard to quality and functions
- Reputation and commercial risk: Harm to Group's image

The tasks of the Audit Committee are:

- Determining risk policies and principles for the appropriate conduct of risk management, internal audit system and compliance,

- Monitoring the Group's adequacy and effectiveness in internal controls and risk management and auditing accounting and reporting systems,

- Taking necessary measures to ensure that the Board of Directors is informed of any incident or condition that may prevent the Bank from functioning in an uninterrupted manner or of any event that violates laws and regulations and

- Reporting to the Board of Directors any measures required to be taken and continuously making recommendations.

The committee meets at least once a month.

Chairman : Alain Pierre André Bailly
Vice Chairman : İsmail Yanık

Participation of Board Members and Committee Members in Meetings

According to Article 24 of the Articles of Association, in order for a meeting of the Board of Directors to be valid, at least seven (7) members must be present. Decisions shall be adopted by the affirmative vote of at least seven (7) members. In 2006, participation of Board Members and Committee Members to meetings was at a satisfactory level.

Summary Board of Directors' Report Presented to the General Assembly

Dear shareholders,

The report of the Board of Directors, the report of Independent Auditors and the Profit-and-Loss Statement for 2006 have been presented for your evaluation and approval.

Although the first few months of 2006 had given the impression that, from an economic viewpoint, the year would not be any different from 2004 or 2005, the fluctuation that occurred in May and June created a completely different picture for the rest of the year. Overnight interest rates of the Central Bank, which were 13.5% by the end of 2005, were first reduced by 25 basis points to 13.25%, only to be increased again by 4.25% to 17.5%. From April onward, inflation began to exceed the target and inflationary expectations were further triggered by increasing exchange rates. Following this trend, the Central Bank was forced to substantially increase interest rates.

Since CPI inflation, which had fallen to 7.7% at the end of 2005, once again exceeded the 10% mark due to the fluctuations and expected inflation's rising above the target levels for 2006 and 2007, the Central Bank preferred not to cut interest rates during the second half of 2006 and consequently overnight rates finished the year at 17.5%

In an environment of rising inflation, interest and exchange rates, lower profit margins and intense competition and despite the cost burden of opening 57 new branches, TEB managed to earn a pre-tax profit of YTL 134.6 million and an after-tax profit of YTL 105.7 million.

Comparison of key balance sheet items and financial ratios with those of the previous year shows that:

- assets grew 52%,
- shareholders' equity reached YTL 552 million,
- the share of deposits in the balance sheet was 66%,
- loan portfolio expanded by 67% over the previous year, with a significant increase in small and medium- size commercial loans and business loans and now constitutes 60% of total assets,
- the ratio of NPLs went down from its 2005 level of 1.1% to 0.9% in 2006,
- the loans-to-deposits ratio reached 91%, meaning that YTL 91 out of every YTL 100 deposited with the bank was lent out as loans,
- capital adequacy ratio was 14.27%,
- return on equity (ROE) was 20.81%,
- number of branches increased from 113 in 2005 to 170 in 2006 and number of employees from 2,630 in 2005 to 3,565 in 2006.

Yours sincerely
The Board of Directors

Human Resources Practices

In line with its targets and strategies, it is TEB's policy to recruit highly qualified personnel, preferring university graduates and individuals who are able to represent the bank, think analytically and get along well with their co-workers.

Carefully designed selection and assignment systems and tools ensure that high-potential, promising, creative and innovative people join the Group. Successful employees who have a high potential are promoted both within the bank and within the TEB Financial Services Group following performance assessment.

Related-Party Transactions

The bank is involved in various transactions with related-parties and these are carried out for commercial purposes and at market prices. The most striking indicator of this well-established policy is that the share of related-party risk in TEB's total cash and non-cash loans remained below 1%. Loan transactions with related-parties and their share in the Bank's total credit risk as of 31 December 2005 and 31 December 2006 were as follows:

	31.12.2006	31.12.2005
	%	%
Share in total cash loans	0.39	0.34
Share in total non-cash loans	1.85	1.38
Share in total cash and non-cash loans	0.89	0.73

Detailed information about the Bank's related-parties has been prepared in accordance with the Communiqué on Financial Statements and Related Explanations and Footnotes Announced to the Public by Banks and published in Section 4, Paragraph b of the Annual Report and was also included in the financial statements as of 31 December 2006 and Section VII, Articles 1 and 2 of the Independent Audit Report.

Outsourced Services

The Regulation on Support Services Received by Banks and Authorization of Support Service Institutions went into effect on 1 November 2006, with an adaptation period of one year as specified in Temporary Article 1. In 2006, TEB did not make any applications to the BRSA with regard to outsourced support services.

TEB aims to fully abide by the 'Corporate Governance Principles' issued by the Capital Markets Board (CMB) in July 2003 concerning the principles to be observed by listed companies to achieve professional management, transparency and ethical conduct in the course of their activities.


TEB

Corporate Governance Principles Compliance Report

Part I - Shareholders

1. Statement of Compliance with Corporate Governance Principles

TEB aims to fully abide by the Corporate Governance Principles issued by the Capital Markets Board (CMB) in July 2003 concerning the principles to be observed by listed companies to achieve professional management, transparency and ethical conduct in the course of their activities.

Believing that compliance with these principles will become as important as credit ratings in the near future, the Board of Directors set up a Corporate Governance Committee at the Board level through Resolution No: 3609/4 dated 24 January 2004, to regulate and monitor compliance with these principles. The Corporate Governance Committee performs the functions explained below.

Although compliance with these principles issued in 2003 requires a certain amount of time, they have already been almost fully implemented without any conflicts of interest.

2. Shareholder Relations Department

A Shareholder Relations Department (referred to as the Shareholders Unit in the organizational chart) has been established in an effort to inform registered shareholders about dividends, capital increases and the agenda and resolutions of General Meetings, to maintain the share register in accordance with Article 326/1 of the Turkish Commercial Code and to manage legal and operational relations with shareholders. The contact details of this unit are as follows:

Cüneyt Temiztürk (Unit Manager)
Phone: +90 212 251 21 21 (extension 1923)
Fax: +90 212 249 65 68
E-mail: cuneyt.temizturk@teb.com.tr

This unit reports to the Secretariat of the Board of Directors.

In 2005, the Shareholders Unit organized the announcement of one Extraordinary General Meeting of Shareholders, one Ordinary General Meeting of Shareholders, one dividend distribution and carried out the following transactions:

- 4 share transfers,
- 7 disclosures (on various issues),
- 21 transactions concerning the distribution of new share certificates in return for new share coupons (excluding transactions through the Central Registry Agency),
- 20 transactions concerning dividend payments (excluding transactions through the Central Registry Agency).

Additionally, the Bank has an Investor Relations and Corporate Governance Department to establish relations with domestic and foreign investors and inform them about the Bank's activities and financial results.

This Department is managed by Manager Güzin Üstün and Assistant General Manager Levent Çelebioğlu. Their contact information is as follows:

Levent Çelebioğlu (Assistant General Manager)
Phone: +90 212 251 21 21 (extension 1341)
Fax : +90 212 249 65 68
E-mail: levent.celebioglu@teb.com.tr

Güzin Üstün (Manager)
Phone: +90 212 251 21 21 (extension 1306)
Fax: +90 212 249 65 68
E-mail: guzin.ustun@teb.com.tr

3. Exercise of Shareholders' Right to Information

Investors and the general public are provided with detailed information both in Turkish and in English through the Investor Relations and Corporate Governance sections on TEB's website:

http://www.teb.com.tr/2004/yatirimci_iliskileri.asp
http://www.teb.com.tr/2004/kurumsal_yonetim.asp

Information is available under the following headings:

- Ownership Structure
- Management
- TEB-BNP Paribas
- Policies disclosed within the framework of corporate governance principles
- Stock Price
- Material Disclosures
- Financial Data
- Ratings
- Research Reports
- Annual Reports
- Press Releases
- Financial Calendar
- Analysts' Recommendations
- Legal Information
- Shareholder e-services
- Frequently Asked Questions

In addition to several meetings, nearly 250 queries about TEB have been answered by telephone and e-mail in 2006. The questions were about various subjects and all requests for information by shareholders were answered as quickly as possible, provided that they are not related to trade secrets or information that is not publicly available.

Although Article 36 of TEB's Articles of Association provides for the appointment of a special auditor, no special auditor was elected in 2006. This article does not define the request for the appointment of a special auditor as an individual right and at the same time, the Articles of Association do not contain any provisions that contradict the relevant provision of the Turkish Commercial Code. This right was not exercised in 2006.

4. Information on General Meetings of Shareholders

The General Meeting of Shareholders convened twice in 2006: an Ordinary General Meeting was held on 23 March 2006 and an Extraordinary General Meeting on 31 May 2006. Attendance was 84.86% for the Ordinary General Meeting and 84.95% for the Extraordinary General Meeting. No media members were present at these events.

Shareholders in the share register were sent invitation letters by registered mail at least 15 days before the respective meeting dates. The meetings were also announced in the Turkish Trade Registry Gazette and a national daily newspaper. In addition, e-mail messages were sent to shareholders whose e-mail addresses were known.

All of TEB's shares are registered shares. Since all current shareholders were already recorded in the share register prior to the public offering, there was no need for an additional registration, but shareholders had to get admission cards to attend the meeting (Article 360/3 of the Turkish Commercial Code imposes this requirement for bearer shares. This obligation does not apply to registered shareholders).

To obtain their admission cards, investors who purchased their shares at the Istanbul Stock Exchange are required to deliver their shares or shareholder certificates to TEB Headquarters or any of its branches. Shareholders may apply for their admission cards until the Board to preside the General Meeting of Shareholders is formed.

The date, venue, time and agenda of the meeting, as well as sample statements for those who wish to appoint a proxy to attend the meeting on their behalf, are included in the invitation letters, the newspaper announcements and on TEB's website.

Shareholders exercised their right to ask questions at general meetings and their questions were answered informatively.

Shareholders tabled motions, which were put to the vote of attending shareholders and accepted.

According to the Articles of Association, approval of the General Meeting of Shareholders is not required for decisions concerning spin-offs or the sale, purchase and leasing of material assets. The powers and responsibilities of the Board of Directors in relation to these decisions are specified in Article 26 of the Articles of Association.

To facilitate attendance at General Meetings of Shareholders, notices are sent out on time, the meetings are held in central locations in Istanbul and the minutes of the meetings are made available at the Shareholders Unit and on the website.

5. Voting Rights and Minority Rights

No privileges regarding voting rights exist, nor are there any cross-shareholding companies. Minority shares are not represented in management; however the views, suggestions and requests of minority shareholders are communicated to the management through the Investor Relations and Corporate Governance Department and the Shareholders Unit.

The Articles of Association do not provide for cumulative voting.

6. Dividend Policy and Timing of Distributions

There are no privileges regarding dividend distribution. TEB's dividend policy, which was amended on 29 September 2006 and announced to the public, is as follows:

Dividend Policy

"Türk Ekonomi Bankası A.Ş. will pay up to 40% of the net distributable profit to its shareholders as a cash dividend or as bonus shares within the context of its Articles of Association. The amount distributable depends on market conditions, maintenance of a comfortable capital adequacy ratio and growth plans of the bank and will be proposed by the Board of Directors to the Ordinary General Meeting of Shareholders every year."

Dividend distribution for 2005 was carried out within the prescribed time frame and with the approval of the General Meeting of Shareholders.

7. Transfer of Shares

Article 9 of the Articles of Association stipulates that:

- The relevant provisions of the Turkish Commercial Code and other applicable legislation shall govern share transfers.
- Transfer of shares at the percentages specified in the Banking Law and transfer of share certificates that grant beneficial interest shall be subject to the prior permission of the Banking Regulation and Supervision Agency and the Capital Markets Board.
- In order for such transfer and assignment to be binding for the company and for third parties, the share transfer must be approved and certified by the Board of Directors and entered into the share register.

Furthermore, the same article stipulates that the company's Board of Directors may reject approval and registration without specifying any reason.

Part II - Public Disclosure And Transparency

8. Disclosure Policy

As indicated on its website, TEB has publicly announced the following Disclosure Policy within the context of the Corporate Governance Principles:

"Subject to applicable legislation, TEB promptly, accurately and fully discloses any matters concerning its operations for which a disclosure has been requested."

All information that fits the above definition is publicly disclosed by the Investor Relations and Corporate Governance Department or the Official Reporting Department and is subject to the approval of the Board of Directors and the General Management. Announcements made are also reported to the Corporate Governance Committee.

9. Special Circumstances Disclosures

TEB made sixty special circumstances disclosures in 2006; none of these was an additional disclosure made in response to the instructions of the Istanbul Stock Exchange (ISE). Since the Bank is listed on the London Stock Exchange (LSE) as well, the material disclosures made to the ISE and the Capital Markets Board (CMB) are also sent simultaneously to the LSE. No disclosures were made to the LSE other than those made to the ISE and the CMB.

Because TEB takes the utmost care in its disclosures, the CMB has not imposed any sanctions on the Bank in 2006.

All material disclosures are available on TEB's website.

10. The Website and its Contents

TEB's website is at www.teb.com.tr. It monitors similar websites in other countries and constantly updates the information available on its website in accordance with Section II Article 1.11.5 of the Corporate Governance Principles issued by the CMB.

The website contains sufficient information to satisfy shareholders and third parties who need information about TEB.

11. Ultimate Controlling Individual Shareholders

The shareholding structure of TEB as of 31 December 2006 was as follows:

- 84.25% TEB Mali Yatırımlar A.Ş. (TEB Financial Investments)
- 15.63% Publicly-traded
- 0.12% Other shareholders

12. Individuals who can Access Insider Information

According to the Banking Law, the law that governs the banking profession and defines its legal and ethical rules, it is forbidden for bank employees to convey to third parties confidential information on the bank or its clients which they acquire during the performance of their duties. Since this obligation continues after the termination of employment, it was not deemed necessary to disclose and publicly announce the list of persons who have access to insider information, in view of the industry practice and employment ethics and work discipline.

Part III - Stakeholders

13. Announcements to Stakeholders
Stakeholders are provided information concerning TEB's activities through special circumstances disclosures, as published on the website and in annual reports. Views, opinions and questions submitted to the bank using the 'Contact Us' section of the website are referred to the relevant departments and answered within the framework of applicable legislation.

14. Participation of Stakeholders in Management
As banking practice and legal rules impose strict restrictions on the appointment of executives, no model has been devised for stakeholders to personally take part in management. TEB believes that this applies equally to other banks in the industry. However, stakeholders can communicate their views, opinions, critiques and demands to the management through the Investor Relations and Corporate Governance Department, the Shareholders Unit and the Customer Communications Unit.

15. Human Resources Policy
The main objective of TEB's Human Resources Group is to adopt the best HR practices in the finance industry. The Bank's human resource policy assures the following:

- Ensuring dynamism and readiness for change in the organizational structure, in line with the strategic plans and goals of the TEB Group.
- Within the scope of the TEB Talent Pool, recruiting people for the TEB Group who are well educated, open to innovation and change, have entrepreneurial skills, are energetic, dynamic, who possess potential for self-development, are team players and who can adopt and commit to corporate values.
- Utilising human resources in the most effective and productive manner in conformity with the Bank's targets and strategies, supporting employees with development programs that are in line with both professional and personal career goals indicated in employees' career plans and to create career opportunities by ensuring employees' participation in advanced BNP Paribas training courses.
- Considering training and development as an investment in human resources and contributing to the development of employees in line with the TEB Group's targets and strategies within the framework of the "continuous learning and development" philosophy of the TEB Formation Academy,
- Training future managers from within the organization and prioritising applicants from within the Bank for future positions,
- Improving individual and team performance through continuous quality improvement using advanced methods and systems, focusing on rewarding schemes in the Performance Assessment System that recognize superior performance and giving everyone equal opportunity within the context of their career maps,
- Contributing to the productivity and performance of the Bank's branches by providing all employees with quick and effective HR support.

16. Relationships with Customers and Suppliers
A "Customer Communication Unit" directly reporting to the General Manager was established in 2004 to maintain customer service quality, measure customer satisfaction and assess the complaints, views and suggestions of customers.

The bank also monitors customer expectations and remarks in cooperation with consulting companies and reports findings to the Board of Directors.

17. Social Responsibility
As a provider of financial services, the Bank prefers to work with companies that respect the environment and does not grant loans to investment projects that fail to do so.

Part IV - The Board Of Directors

18. Structure and Composition of the Board of Directors and Independent Members

Members of the Board of Directors and their responsibilities as of 31 December 2006 are listed below:

Name	Position
Yavuz Canevi	Chairman
Dr. Akın Akbaygil	Vice Chairman and Executive Member
Jean Jacques Marie Santini	Vice Chairman
Alain Pierre André Bailly	Member
Michel Roger Chevalier	Member
Varol Civil	Executive Member and General Manager
Refael Taranto	Member
Metin Toğay	Member
İsmail Yanık	Member

An up-to-date list of the members of the Board of Directors and their resumes are available on TEB's website.

The concept of an independent board member arrived in Turkey together with the introduction of the corporate governance principles. Corporate governance structures and processes and related principles shall be determined by the Banking Regulation and Supervision Agency after consultation with the Capital Markets Board and its associated agencies, as specified in Article 22 of Banking Law No: 5411.

Since applicable legislation has introduced additional responsibilities for board members, in addition to the requirements for membership in banks' Boards of Directors, the number of suitable candidates is limited. Thus TEB believes that it is going to take some time for the number of independent members on its Board of Directors to reach the desired level.

Article 28 of TEB's Articles of Association on Prohibited Transactions states the following:

"Business activities and transactions that the Chairman and members of the Board of Directors as well as the Chairman and Members of the Credit Committee may not engage in are specified in the relevant provisions of the Turkish Commercial Code, the Banking Law and the Capital Markets Law."

19. Qualifications of Board Members

The qualifications required for membership in the Board of Directors are specified in Article 22 of the Articles of Association and the relevant provisions of the Banking Law. The qualifications of TEB board members comply with applicable legislation and the Corporate Governance Principles.

20. Mission, Vision and Strategic Targets

As stated in the 'Corporate Governance' section of its website, TEB's mission is defined as follows:

- TEB is committed to adding value to its stakeholders with its select customer portfolio and world-class financial services.
- TEB aspires to maximize customer satisfaction.
- TEB adheres to the best international practices in corporate governance.
- TEB employs personnel who are committed to business ethics, protect the values of the organization and are open to innovation.

TEB has been able to achieve its mission thanks to shareholders who are strictly committed to their business principles, responsibilities and to employees' rights.

The Bank's strategic targets and primarily its budget are assessed and approved by the Board of Directors. The extent to which the targets are achieved, as well as the reasons of any failure to achieve targets are evaluated at meetings attended by senior executives, branch managers and other related executives.

Targets, strategies and operational results are shared with the management team at biannual General Management Meetings.

21. Risk Management and Internal Control

In accordance with the provisions of the Banking Law No: 5411, the Bank has established an Audit Committee reporting to the Board of Directors through two non-executive board members exclusively assigned to this task. The Board of Directors has set up the Audit Committee for the following purposes:

- Centralizing audit systems, validating procedures, monitoring and auditing of risks in the eight risk groups below:
    - Loans and counter party risk: Default by third parties
    - Market and liquidity risk: Market price fluctuations
    - Administrative risk: Appropriate administration of operations (including operational risk)
    - Legal risk: Compliance with tax laws and other legislation
    - Accounting risk: Compliance with regulations and legally acceptable presentation of accounts
    - IT risk: Adequacy and security of systems
    - Human resources risk: Adequacy of staff with regard to quality and functions
    - Reputation and commercial risk: Harm to the Group's image,
- Determining risk policies and principles for appropriate risk management, internal audit and compliance,
- Monitoring the Group's adequacy and effectiveness in terms of internal control and risk management and auditing accounting and reporting systems,
- Taking the necessary measures to ensure that the Board of Directors is informed of any incident or condition that may prevent the Bank from functioning in an uninterrupted manner or of any event that violates the legislation; reporting to the Board of Directors any measures required to be taken and making continuous recommendations.

22. Authority and Responsibilities of Board Members and Executives

The authorities and responsibilities of board members and executives are governed by Articles 26 and 30 of the Articles of Association, while issues related to the General Manager and his/her deputies are covered by Articles 32 and 33.

Corporate Governance Principles Compliance Report

23. Activities of the Board of Directors

Meetings of the Bank's Board of Directors are organized by the Secretary of the Board of Directors. Members of the Board of Directors submit to the Secretariat any items that they want to be included in the agenda and the final agenda is communicated to the members at least one week before the meeting.

The Board of Directors has taken 118 decisions in 2006. As mentioned above, there exists a Secretariat responsible for the implementation of these matters. All decisions during the reporting period were made unanimously and no dissenting opinion was voiced.

Members who fail to attend a meeting for good reason are informed of the decisions taken in their absence at the first meeting they attend. Decisions taken at the meetings are entered into minutes. TEB's Articles of Association do not contain any provisions on weighted voting rights or negative veto rights.

24. Ban on Dealing and Competing with the Company

Members of the Board of Directors have no relationships with TEB that could result in a conflict of interest.

25. Ethical Rules

The Board of Directors abides by the Code of Banking Ethics prepared by the Banks Association of Turkey to define the principles stated in Article 75 (Ethical Principles) of Banking Law No: 5411 and approved with Decision No: 1904 of the Banking Regulation and Supervision Agency dated 15 June 2006.

According to Article 75 of Banking Law No: 5411, banks and their personnel shall ensure that activities are performed in compliance with this Law, applicable legislation and the banks' goals and policies and shall comply with ethical principles that put justice, fairness, honesty and social responsibility at the foundations of management.

26. Number, Structure and Independence of Committees Established by the Board of Directors

In accordance with corporate governance principles, the following committees were active in 2006:

Corporate Governance Committee

Duties:

- Monitoring and guiding corporate governance practices at the Bank,
- Convening upon the request of the Chairman.

Members:

Chairman: Aydın Esen
Yavuz Canevi
Alain Pierre André Bailly
Hakan Tıraşın
Melis Coşan Baban

Audit Committee

Duties:

- Monitoring the effectiveness and adequacy of TEB's internal control, risk management and internal audit systems on behalf of the Board of Directors,
- Supervising the functioning of these systems as well as the functioning of accounting and reporting systems and the integrity of data produced in accordance with the Banking Law,
- Regularly monitoring the activities of independent auditors elected by the Board of Directors and
- Ensuring the coordination and consolidated functioning of the internal audit function at subsidiaries as specified in the Banking Law.

Members:

Chairman: Alain Pierre André Bailly
Vice Chairman: İsmail Yanık

27. Remuneration of the Board of Directors

At the Ordinary General Meeting of Shareholders on 23 March 2006, it was resolved that no fees be paid to the members of the Board of Directors, who shall continue to perform this duty voluntarily and that a gross monthly fee of YTL 750 be paid to Statutory Auditors. Remuneration to be paid to Executive Board Members is determined by the Board of Directors in accordance with Article 27 of the Articles of Association and in view of the nature of the duties involved and the time they have to spend to fulfil these duties. In 2006, YTL 3,963,463 was paid to the Members of the Board of Directors as salaries and attendance fees.

Board members may be granted loans within the limits defined by law or may be rewarded depending on the performance of the Bank, the duties assumed by the members and the time they spend to fulfil these duties.

Assessment of Financial Position, Profitability and Debt-Servicing Capacity

Despite shrinking margins in the industry, the increase in TEB's high-return assets and the positive impact of its growth policies has resulted in a 39% increase in net interest revenue year-on-year.

Positive developments in the Turkish economy and the banking system, including better stability in money and capital markets and optimistic expectations about the future, were partially reversed following the fluctuations of May and June 2006, with higher interest rates resulting in a fall in the demand for housing loans. However, the Bank could avoid the effects of the fluctuation, by protecting its balance sheet against risks with derivatives instruments and by adopting risk management policies that eliminate the interest risk of long-term fixed-return housing loans.

TEB's profitability was positively affected by the rise in interest rates caused by the market fluctuation, since 67% of its marketable securities portfolio was comprised of variable-interest instruments that were re-priced in August and September 2006.

The Bank adhered to its growth and branch expansion strategies in 2006. As an integral component of this growth, 57 new branches were opened in 2006 and these new branches supported TEB's expansion strategy in retail and SME banking and the strategy of gaining depth in existing corporate and large-size commercial clients. Thanks to this approach, lending volume grew by 67% year-on-year.

In retail loans, TEB's growth policy that was launched in the last quarter of 2003, continued to develop in 2006 and the Bank achieved 99% growth in housing loans and 35% growth in car loans, both figures above the industry averages. As a result of this increase in retail loans and the deepening in project finance, maturities continued to get longer parallel to the industry trend and the share of local currency loans in total loans continued to increase.

Loans-to-deposits ratio increased on a year-on-year basis and reached 91%, again above the industry average.

The 67% growth in TEB's loan portfolio did not cause an increase in non-performing loans, whose ratio in fact fell to 0.9%. This indicates the proven quality of TEB's loan portfolio.

As a result of the Bank's growth strategy, total assets increased 53% from YTL 5,423 million on 31 December 2005 to YTL 8,281 million on 31 December 2006.

TEB meets its liquidity requirement mainly from deposits and in this context, the share of deposits in total balance sheet liabilities was 66%.

In addition to using deposits as a source of funding, the Bank created further sources of long-term funding through syndication in international markets and other similar instruments and also used derivative instruments to improve its ability to create Turkish lira funds.

The two-year EUR 210 million syndication loan with a one-year extension option, which had been obtained by the Bank in international markets, was extended in November 2006 for EUR 205 million. In addition to the 10-year subordinated loan of US$ 50 million obtained from the IFC in June 2005, the Bank secured another subordinated loan of EUR 110 million from Economy Bank S.A. on 31 October 2006.

Despite shrinking margins in the industry, the increase in TEB's high-return assets and the positive impact of its growth policies has resulted in a 39% increase in net interest revenue year-on-year.

Supporting TEB's expansion strategy in retail and SME banking, the growth of the branch network has positively affected the number of customers and consequently net fees and commission revenues increased 90% compared to 31 December 2005.

After ending 2005 with 113 branches, the Bank opened 57 new branches and ended 2006 with 170 branches. Operational expenses moved up 50% over the same period of the previous year, to YTL 297.2 million, due to new personnel recruitment, branch opening expenses and expenses related to promotional campaigns that supported TEB's expansion in retail and SME banking.

As a result of its operations as a whole, the Bank increased its net income 24%, from YTL 85.1 million to YTL 105.7 million in 2006.

Risk Management Policies

Interest Rate Risk

Interest rate risk involves possible losses a bank may incur due to fluctuations and volatility in interest rates, depending on its portfolio positions. At TEB, the Assets and Liabilities Committee manages interest rate risk.The decisions taken by this committee are then implemented by the Assets and Liabilities Management Department within the Treasury Group.

Protection against fluctuations in interest rates is a top priority at TEB. Interest rate risk is determined by measuring the rate of sensitivity of assets, liabilities and off-balance sheet items. TEB runs simulations of interest revenues according to estimated macroeconomic indicators. Duration, term and sensitivity analyses are conducted and these calculations are conveyed to the Assets and Liabilities Committee.

Possible negative effects of interest rate fluctuations on financial position and cash flow are minimized by means of prompt decisions. The management monitors interest rate movements on a daily basis and makes changes whenever necessary in deposit and loan rates.

When determining short, medium and long-term pricing strategies, TEB's Assets and Liabilities Committee manages maturity mismatches and adopts the principle of working with positive balance sheet margins as its pricing policy.

Market Risk

Market risk involves possible losses a bank may incur as a result of the exposure of its balance sheet and off-balance sheet accounts to interest rate risk, equity position risk or exchange rate risk resulting from fluctuations in the financial markets, in interest rates, exchange rates or stock prices.

TEB's Board of Directors ensures that the risk management units and senior management take the necessary steps to properly measure, monitor and manage its exposure to market risk. The Board of Directors determines market risk limits and regularly revises these limits in accordance with market conditions and the strategies of the Bank.

With regard to TEB's daily transactions, stop-loss and transaction limits are defined for each product. The Board of Directors assigns limits for positions in derivatives and similar contracts. Transactions are carried out within these limits and the limits are monitored and reported daily.

The Value-at-Risk (VaR) figure, revised daily, is calculated using a variance/co-variance method on the basis of a 250-business-day data and a one-day holding period in a 99% confidence interval. Daily VaR figures are the main drivers of TEB's internal reports and efforts to monitor market risk. Back-testing is periodically performed to validate the accuracy of calculations and the methods used.

The VaR figures calculated by internal models to predict losses in the event of a crisis are also verified by scenario analyses and stress tests and are then reported to senior management and the Board of Directors.
Scenario analyses and stress tests involve the re-application of past crises to existing portfolios or the observation of likely losses due to interest and foreign exchange shocks.

Liquidity Risk

Liquidity risk is defined as the risk of failing to fully meet cash obligations in due time, because the bank in question does not possess sufficient cash or is not able to generate cash when needed, which might result from mismatches between TEB's cash inflows and outflows.

Liquidity risk also includes the risk of loss that may arise when there is an inability to enter or exit the market as needed. When it is not possible for a bank to adequately close positions at favourable prices and in sufficient amounts or as rapidly as required, the lack of sufficient cash may translate into losses.

TEB's policies focus on maintaining the quality of its asset structure, so that all obligations can be met by liquid assets. Striving to be one of the most liquid banks in the industry is of utmost importance to TEB. The Board of Directors regularly monitors and determines liquidity ratios and the relevant standards for maintaining high liquidity at all times.

TEB has in place an effective management reporting system for the timely reporting of the liquidity position to the Board of Directors, senior management and all related units. The Board has determined limits to ensure that sufficient liquidity is available at all times. Cash flow analyses are carried out for different maturity structures and currency units. Maturity mismatches are monitored and concentrations in funding sources are closely monitored.

As a matter of general policy, consistency in maturities, interest rates, the currency mix and costs and returns between assets and liabilities is maintained at all times and balance sheet positions are continuously managed in the positive.

With regard to the sources of funding and liquidity, it is observed that while the greater part of the liquidity requirement of TEB is met by deposits, syndicated loans and pre-financing products are also used at times to obtain funds in addition to deposits. TEB strictly adheres to the policy of maintaining high-quality liquid assets in sufficient amounts. This assures a strong liquidity position at all times and enables the Bank to be a net lender to the market.

Risk Management Policies

Exchange Rate Risk

Exchange rate risk is defined as a possible loss that a bank may incur in the event of changes in exchange rates. In calculating capital adequacy that underlies exchange rate risk, TEB takes into account all of its foreign-currency assets, liabilities and forward foreign-currency contracts. VaR is calculated using the standard method and is then reported to the relevant bodies.

Within the limits approved by the Board of Directors, the Treasury Department is responsible for the management of price, liquidity and fulfilment risk arising from fluctuations in local or foreign currency prices in domestic and international markets. Money market risks and risk-bearing transactions are monitored on a daily basis and reported weekly to TEB's Assets and Liabilities Committee.

Position limits determined by the Board of Directors are monitored on a daily basis and possible changes in the Bank's monetary positions that may come about as a result of routine foreign currency transactions are also examined.

Equity interests held in foreign companies are protected against exchange rate risk along the lines of the TEB's overall strategy. Foreign currency position risks are hedged by spot and forward transactions within legal limits.

Credit Risk

Credit risk is the loss that may be incurred if the other party of the loan relationship fails, partially or entirely, to fulfil its obligations on time.

One of the most prominent characteristics at TEB that distinguishes it from the competition is its prudent lending policy and solid asset structure that go hand in hand with a stable growth strategy.

The Board of Directors has the final authority in the allocation of loan facilities. This power is delegated to the Credit Committee and the General Manager on certain conditions. The exercise of these delegated powers are regularly monitored and reported by the internal audit and risk management units.

Loans are extended within the limits defined for each debtor and group of debtors individually. Every customer that performs a transaction on credit must have a loan facility allocated by the relevant authorities and customers are systematically prevented from exceeding those limits.

Branch officers visit loan applicants and obtain financial statements and information related to the potential customer's activities and plans. A loan proposal is prepared containing a commentary on the company's financial position, an industry analysis, information about the partners and managers, as well as references from other banks and companies with which the applicant is doing business. This information is then submitted to the Credit Allocation and Financial Analysis Group, which assesses the applicant's creditworthiness and sends its report to the Credit Committee for approval.

In assessing customers, TEB uses an internally developed rating system, which takes into account both financial and non-financial criteria. The rating of the collateral proposed for the loan is also calculated using a system developed by TEB. In accordance with the Bank's lending policy, overall credit risk is assessed through both debtor and collateral ratings.

Developments in the marketplace are closely monitored to minimize credit risk and industry limits are applied. As a result of the prudent policy the Bank adopts, the maximum amount of loan that can be granted to a customer is kept below legal limits, thus minimizing the risk of loan concentration. Limits set by the Board of Directors are regularly monitored and reported.

The Risk Management Group, in collaboration with the Credits and Financial Analysis Group, makes assessments of the loan portfolio for the Board of Directors and the Board of Internal Auditors and reports high-risk cases and non-performing loans.

The Credit Monitoring and Legal Proceedings Department reports to the General Manager. This Department submits regular reports to the Credit Committee and also to the Board of Directors via the Board of Internal Auditors. After a loan facility is offered, the Credit Monitoring Department monitors the customer's repayment capability and the sufficiency and adequacy of the collateral. In this way, any loan that may turn bad is identified at an early stage. Should the credit rating and/or the quality of the collateral arouse doubts, the customer will then be closely reviewed and additional collateral requested.

Limits related to counter party risk arising from treasury transactions or from customer-based commercial transactions are monitored on a daily basis. Daily controls are also performed on the limits that have been offered to correspondent banks in accordance with their ratings and the maximum risk that the Bank is able to bear with its own capital.

Country risk involves the likelihood of partial or complete failure of the debtor person or company in international loan transactions to fulfil obligations on time, due to economic, political or social incidents taking place in the relevant country.

TEB exclusively enters into loan transactions with foreign financial institutions or countries that are rated investment grade by international rating agencies. For this reason, possible risks in such transactions do not pose an important threat for the Bank, given its current financial structure.

Operational Risk

Operational risk is defined as the risk of loss that may result from inappropriate or malfunctioning practices, or from human and system errors or external reasons.

Operational risk can occur along the entire spectrum of banking activities as a result of human and system errors or inappropriate practices. It also includes the risk of loss resulting from mistakes and negligence, internal or external fraud and natural disasters.

TEB's main objectives in this regard are to achieve total compliance with internal rules, to develop a strong internal control culture and to attain all the qualitative standards determined by the Basel Committee.

Compliance with legal requirements, adherence to the ethical values of the banking profession, information security, prevention of internal and external fraud, contingency and business continuity plans and “know-your-customer” policies are all fundamental controls for the reduction of operational risk.

Considering the risk caused by a lack of information about the legislation, TEB has undertaken an organizational restructuring effort in the areas of taxation and banking legislation and strengthened its decision support functions with high-quality staff. The project of gathering and managing operational risk loss data, whose infrastructure has been completed in 2006, will become operational in 2007 and with this project, TEB plans to be one of the banks in the industry most prepared for Basel II in terms of operational risk.

The Audit Committee's Assessment of Internal Control, Internal Audit and Risk Management Systems

The Board of Directors has taken all necessary measures authorizing the Board of Internal Auditors to conduct its audit activities without any restrictions and covering the Bank's consolidated subsidiaries and their respective units.

The organizational structure at TEB in terms of internal control, internal audit and risk management was designed in accordance with the Regulations on the Internal Systems of Banks.

This structure is appropriate in view of the scope and nature of TEB's activities and can effectively respond to changing conditions.

The Risk Management Division, the Internal Control Centre and the Board of Internal Auditors, all reporting to the Board of Directors, independent from each other but working in cooperation, have performed their usual activities in 2006.

The Board of Directors has taken the necessary measures regarding the approval of important strategies and policies with regard to control activities and the maintenance of effective internal audit and risk management systems.

The internal audit system is organized to cover all operations and units of the Bank. The Board of Internal Auditors currently operates with one chairman, two vice chairmen and a staff of 22 internal auditors.

Two members of the Board of Internal Auditors have earned the title of Certified Internal Auditor, having passed the Certified Internal Audit Tests organized by the International Internal Audit Institute (IIA) in several countries to assure the performance of auditing tasks in accordance with professional and universal standards.

The Board of Directors has taken all necessary measures authorizing the Board of Internal Auditors to conduct its audit activities without any restrictions and covering TEB's consolidated subsidiaries and their respective units. In 2006, the Board of Internal Auditors audited 82 branches, three departments and three subsidiaries.

Internal control activities are organized as an inseparable part of daily activities and cover all areas of basic control. Following the organizational change during the year, Internal Control and Compliance functions are now structured separately. Within the scope of internal control, daily, weekly, monthly and quarterly controls of critical activities at branches and departments of the headquarters are carried out under the Banking Transactions Control, Treasury Control and Legal Compliance Units. The Compliance function covers the departments of Banking and Tax Legislation Compliance, Operational Risk, Information Security and Work Continuity, parallel to the Internal Systems Regulation of the BRSA. These departments have completed these tasks in 2006 with a staff of 28.

The risk management process is composed of the phases of risk definition and measurement, establishing risk policies and procedures, risk analysis and monitoring and reporting, all in accordance with the principles that are jointly determined by TEB's senior management and the Risk Management Group and approved by the Board of Directors.

The mission of the Group Risk Management function is to ensure, jointly with senior management, that the risks undertaken by the Group comply with the TEB's policies and procedures and meet the Bank's profitability criteria and rating.

In 2006, the Risk Management Group had a staff of seven, including the Chairman of Group Risk Management. TEB's risk management function is composed of the Market Risk Department and the Credits and Operational Risk Department. In addition to personnel in charge of determining, measuring and reporting market, credit and operational risk, a risk management officer is employed in each subsidiary to monitor the implementation of risk management principles and policies. Group personnel employ advanced techniques in risk measurement and monitoring activities and closely follow best practices domestically and internationally.

At its meeting on 8 November 2005, the Board of Directors decided to establish an Audit Committee responsible for all companies comprising the TEB Group, in accordance with Article 24 of Banking Law No: 5411 and further resolved that the powers of the Senior Risk Committee, which was established in accordance with Law No: 4389, be taken over by the new committee.

The Audit Committee met sixteen times during the course of the year. It monitors all risk in a consolidated format at the group level, establishing points of control, reviewing all written procedures, ensuring coordination between the Board of Internal Auditors, the Risk Management Group and the Compliance and Internal Control Centre, as well as working toward the establishment of internal control systems of the same scope at the Bank and at Group companies.

With the contribution of its foreign partner with whom it has been collaborating for approximately one year, new organizational and systemic changes will be gradually implemented to further improve the effectiveness of internal audit and risk management systems at TEB and within the Group companies.

TEB is extremely sensitive about internal audit and risk management issues, closely following and implementing new legislation and best practices.

Credit Ratings Assigned by Rating Agencies*

TEB maintained its position as one of the most highly rated banks in Turkey. As of the end of 2006, TEB's ratings were as follows:

Moody's Investor Services

Financial Strength Rating	D+
Financial Strength Outlook	Stable
FX Deposits Rating	B1/NP
Outlook	Stable

Fitch Ratings

Foreign Currency	
Long-term	BB
Short-term	B
Outlook	Positive
Turkish Lira	
Long-term	BB+
Short-term	B
Outlook	Positive
National	AA (tur)
Outlook	Stable
Individual Rating	C/D
Support Points	3

The long-term Turkish lira rating assigned to the Bank by Fitch Ratings (BB+), is one notch higher than Turkey's overall rating of BB in the same category.

(*) These ratings are not the ratings assigned to TEB in accordance with BRSA's Regulations on Principles of Authorization and Activities of Rating Agencies.

Donations

Date	Recipient	Amount (YTL)
26.01.2006	Akmet	15,996.00
14.02.2006	Turkish Medium-Sized Enterprises Foundation	40.00
17.02.2006	Eskişehirspor Club Association	6,000.00
23.02.2006	Izmir Association for Supporting Small Enterprises	20.00
14.04.2006	Contemporary Arts Foundation	4,035.66
18.04.2006	Year Two Thousand Foundation	5,000.00
20.04.2006	Boğaziçi University Foundation	1,481.13
20.04.2006	Boğaziçi University Foundation	150.00
27.04.2006	Governorship of Malatya - White Union Project	21,000.00
27.04.2006	Governorship of Malatya - Uncle Policeman Project	15,000.00
27.04.2006	Governorship of Malatya - 91000 Giant Pupils Project	10,000.00
27.04.2006	Governorship of Malatya - Teachers' Primary School Project	5,000.00
04.05.2006	Yıldız Technical University Management Club	1,500.00
04.05.2006	Bilkent University	1,000.00
29.06.2006	METU Development Foundation	500.00
28.07.2006	Galatasaray Education Foundation	500.00
28.07.2006	Istanbul University	500.00
10.08.2006	Municipality of Ereğli	2,000.00
22.09.2006	METU Development Foundation	885.48
15.11.2006	Istanbul Technical University	600.00
15.11.2006	Istanbul Technical University	300.00
17.11.2006	World Turkish Businessmen Foundation	700.00
28.11.2006	Informatics Association	200.00
28.12.2006	Galatasaray Primary School	5,000.00
28.12.2006	Istanbul Technical University	900.00
28.12.2006	Istanbul Technical University	300.00
29.12.2006	Izmir Chamber of Bus Operators	1,454.80
		100,063.07

Five Year Summary Financial Information

(YTL 000)	31.12.2002	31.12.2003	2003-2002 Change (%)	31.12.2004	2004-2003 Change (%)	31.12.2005 (*)	2005-2004 Change(%)	31.12.2006	2006-2005 Change (%)
Liquid Assets	1,679,248	1,519,422	(9.52)	1,311,579	(13.68)	1,030,014	(21.47)	1,403,098	36.22
Securities	105,528	128,934	22.18	407,562	216.10	1,168,431	186.69	1,612,781	38.03
Loans	1,040,126	1,329,461	27.82	1,584,721	19.20	2,969,125	87.36	4,951,436	66.76
Other Assets	253,405	265,465	4.76	261,734	(1.41)	256,411	(2.03)	314,342	22.59
Total Assets	3,078,307	3,243,282	5.36	3,565,596	9.94	5,423,981	52.12	8,281,657	52.69
Demand Deposits	703,138	613,726	(12.72)	661,796	7.83	739,356	11.72	1,012,353	36.92
Time Deposits	1,490,929	1,637,489	9.83	1,598,074	(2.41)	2,512,724	57.23	4,413,554	75.65
Funds Borrowed	402,672	454,757	12.93	755,285	66.09	1,505,844	99.37	1,989,910	32.15
Other Liabilities	149,784	165,638	10.58	156,244	(5.67)	202,182	29.40	313,873	55.24
Shareholders' Equity (excl. profit)	307,769	313,725	1.94	360,397	14.88	378,759	5.09	446,267	17.82
Net Income	24,015	57,947	141.30	33,800	(41.67)	85,116	151.82	105,700	24.18
Total Liabilities	3,078,307	3,243,282	5.36	3,565,596	9.94	5,423,981	52.12	8,281,657	52.69
Selected Ratios (%)									
NPL Ratio	2.47	2.10	(14.98)	1.31	(37.62)	1.13	(13.74)	0.90	(20.35)
Return on Equity	7.51	16.47	119.31	8.83	(46.39)	19.84	124.69	20.81	4.89
Return on Assets	0.83	1.83	120.48	0.99	(45.90)	1.89	90.91	1.54	(18.52)
Capital Adequacy Ratio	15.40	14.88	(3.38)	14.29	(3.97)	12.33	(13.72)	14.27	15.73

All data based on purchasing power parity on 31 December 2004.

(*) Financial statements dated 31 December 2005 have been rearranged in accordance with the Turkish Accounting Standards that were published in the Official Gazette numbered 26333, dated 1 November 2006.

Appendix 1

Statutory Auditors' Report

Report Prepared by the Auditors Appointed in Accordance with Article 347 of the Turkish Commercial Code

To the Ordinary General Meeting of Shareholders of Türk Ekonomi Bankası A.Ş.

7 March 2007

We have examined the financial statements of Türk Ekonomi Bankası A.Ş., of which we are the statutory auditors, for the year ending on 31 December 2006. We confirm that said statements are in compliance with the Banking Law No: 5411, the Regulation on the Procedures and Principles Governing Banks' Accounting Standards and Safekeeping of Documents, related communiqués and provisions, as well as the Bank's general policies and regulations.

Statutory Auditor	Statutory Auditor
Ayşe Aşardağ	Cihat Madanoğlu

Türk Ekonomi Bankası Anonim Şirketi Consolidated Financial Statements for the year ended December 31, 2006

Consolidated Financial Statements and Notes to Consolidated Financial Statements

Statement Concerning the 2006 Annual Report of Türk Ekonomi Bankası A.Ş.

The annual report of Türk Ekonomi Bankası A.Ş. has been prepared in accordance with the "Regulation on Principles and Standards for the Preparation and Publication of Annual Reports by Banks" published in the Official Journal numbered 26333, dated 1 November 2006 (attached hereto).

Yavuz Canevi
Board of Directors
Chairman of the

Alain Pierre André Bailly
Board Member and
Chairman of the
Audit Committee

İsmail Yanık
Board Member and
Vice Chairman of the
Audit Committee

Varol Civil
General
Manager

E. Sevinç Özşen
Assistant General
Manager

Ilgaz Doğan
Financial Control
Director

Deloitte.

DRT Bağımsız Denetim ve
Serbest Muhasebeci
Mali Müşavirlik A.Ş.
Sun Plaza
No: 24
34398 Maslak
İstanbul, Türkiye

Tel : (212) 366 60 00
Fax : (212) 366 60 10
www.deloitte.com.tr

INDEPENDENT AUDITOR'S OPINION

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

1. We have audited the accompanying consolidated balance sheet of Türk Ekonomi Bankası A.Ş. (the "Bank") and its subsidiaries (together the "Group") as of December 31, 2006 and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes prepared in accordance with International Financial Reporting Standards ("IFRS") as of December 31, 2006 and for the year then ended.

Management's Responsibility for the Financial Statements

2. The Group's management is responsible for the preparation and fair presentation of these financial statements and the related disclosures in accordance with IFRS. 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

3. 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. The consolidated financial statements of the Group for the year ended December 31, 2005 were audited by other auditors whose report, dated February 13, 2006, expressed a qualified opinion with respect to not applying inflation accounting as detailed in note 2. The other auditors' report has been furnished to us, and our report, insofar as it relates to the opening balances for the current period is based solely on the report of such other auditors.

Opinion

4. As detailed in note 2, the Group has ceased to apply inflation accounting effective from January 1, 2005. Therefore, the accompanying financial statements for the year ended December 31, 2005 have not been prepared in accordance with International Accounting Standard No:29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). Had the Group continued the application of IAS 29, the accompanying consolidated equity for the year ended December 31, 2005 would be lower by approximately TRY 1 million.

5. In our opinion, except for the effects of the matter set out in paragraph 4 above, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2006 and the consolidated results of its operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

DRT Bağımsız Denetim ve Serbest Muh. Mali Müş. A.Ş.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MUŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU

Istanbul, March 9, 2007

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2006

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

	Notes	December 31, 2006	December 31, 2005
ASSETS			
Cash and balances with central banks	4	419,909	270,503
Deposits with banks and other financial institutions	4	1,041,575	964,911
Other money market placements	4	1,194	156,538
Reserve deposits at central banks	5	568,168	316,924
Financial assets at fair value through profit and loss	6	84,729	47,383
Derivative financial instruments	18	22,280	6,228
Loans and advances	7	5,749,833	3,481,671
Factoring receivables	8	293,321	166,309
Minimum lease payments receivable	9	323,486	211,556
Investment securities:			
- Available-for-sale	6	699,145	302,238
- Held-to-maturity	6	11,057	11,809
Loaned securities	6	861,624	859,820
Investment in associates	10	-	1,536
Premises and equipment	11	97,194	61,245
Intangible assets	12	7,881	5,625
Deferred tax asset	17	18,259	15,552
Other assets	13	50,170	27,857
Total assets		**10,249,825**	**6,907,705**
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from other banks	14	188,200	119,302
Customers' deposits	14	6,537,503	4,201,181
Other money market deposits	14	771,004	755,092
Derivative financial instruments	18	69,121	21,970
Factoring payables	8	111,072	60,927
Funds borrowed:			
- Subordinated debt	15	297,490	89,740
- Other funds borrowed	15	1,450,948	1,001,852
Other liabilities	16	163,056	127,637
Provisions	16	9,888	8,699
Income taxes payable	17	19,702	12,720
Deferred tax liability	17	-	14
Total liabilities		**9,617,984**	**6,399,134**
EQUITY			
Equity attributable to equity holders of the parent		**631,841**	**508,571**
Share capital issued	19	76,500	57,800
Premium in Excess of Par		1,592	-
Adjustment to share capital	19	252,676	252,676
Unrealized gains/(losses) on available-for-sale investments, net of tax		(10,123)	9,354
Other reserves and retained earnings	20	311,196	188,741
Minority interest		-	-
Total equity		**631,841**	**508,571**
Total liabilities and equity		**10,249,825**	**6,907,705**

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 PERIOD FROM JANUARY 1 TO DECEMBER 31, 2006

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

	Notes	December 31, 2006	December 31, 2005
Interest income			
Interest on loans and advances		657,460	359,959
Interest on securities		166,492	110,174
Interest on deposits with banks and other financial institutions		100,562	77,797
Interest on other money market placements		28,736	18,503
Interest on financial leases		31,810	20,917
Other interest income		51	86
Total interest income		**985,111**	**587,436**
Interest expense			
Interest on customer deposits		(402,948)	(199,551)
Interest on other money market deposits		(83,560)	(49,001)
Interest on funds borrowed and deposits from other banks		(127,392)	(73,893)
Other interest expense		-	-
Total interest expense		**(613,900)**	**(322,445)**
Net interest income		**371,211**	**264,991**
Fees and commissions and other operating income			
Fees and commissions income	26	152,604	110,360
Fees and commissions expenses	26	(29,297)	(16,356)
Foreign exchange gain		7,452	18,654
Gains less losses on trading securities	25	(1,198)	(4,846)
Gains less losses on investment securities		4,984	13,737
Other income		592	(2,878)
Net banking income		**506,348**	**383,662**
Operating expenses			
Salaries and employee benefits	23	(180,843)	(123,592)
Other expenses	24	(105,135)	(68,070)
Depreciation and amortization	11,12	(19,166)	(14,908)
Taxes other than on income		(9,753)	(7,312)
Gross operating income		**191,451**	**169,780**
(Provisions for) / recoveries from impairment of loan, lease, factoring receivables		(19,262)	(15,207)
Net operating income		**172,189**	**154,573**
Income from associates		-	-
Gain/(loss) on sale of fixed assets and investments		97	482
Profit from operating activities before income tax		**172,286**	**155,055**
Income tax – current	17	(35,345)	(51,408)
Income tax – deferred	17	(3,820)	7,665
Net profit for the year		**133,121**	**111,312**
Attributable to :			
Equity holders of the parent		133,121	111,214
Minority interest		-	98
Net profit		**133,121**	**111,312**
Earnings per share (full TRY)	21	1.7651	1.4966

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, 2006

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

		Attributable to equity holders of the parent							Minority interest	Total equity
	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		
At January 1, 2005		57,800	-	252,676	3,996	(13,852)	113,247	413,867	1,628	415,495
Currency translation differences		-	-	-	-	(12,547)	-	(12,547)	-	(12,547)
Net change in unrealized gain on available-for-sale investments		-	-	-	5,358	-	-	5,358	-	5,358
Total income and expense for the year recognized directly in equity		-	-	-	5,358	(12,547)	-	(7,189)	-	(7,189)
Net profit for the year		-	-	-	-	-	111,214	111,214	98	111,312
Total income / expense for the year		-	-	-	5,358	(12,547)	111,214	104,025	98	104,123
Premium in excess of par		-	-	-	-	-	-	-	-	-
Dividends paid		-	-	-	-	-	(9,414)	(9,414)	-	(9,414)
Acquisition of minority interests in a subsidiary		-	-	-	-	-	93	93	(1,726)	(1,633)
At December 31, 2005/January 1, 2006		57,800	-	252,676	9,354	(26,399)	215,140	508,571	-	508,571
Currency translation differences		-	-	-	-	8,076	-	8,076	-	8,076
Net change in unrealized gain on available-for-sale investments		-	-	-	(19,477)	-	-	(19,477)	-	(19,477)
Exchange differences arising on transaction of foreign operations		-	-	-	-	7,920	-	7,920	-	7,920
Gain/(loss) on hedge of net investment in a foreign operation		-	-	-	-	(7,920)	-	(7,920)	-	(7,920)
Total income and expense for the year recognized directly in equity		-	-	-	(19,477)	8,076	-	(11,401)	-	(11,401)
Net profit for the year		-	-	-	-	-	133,121	133,121	-	133,121
Total income / expense for the year		-	-	-	(19,477)	8,076	133,121	121,720	-	121,720
Dividends paid		-	-	-	-	-	(18,742)	(18,742)	-	(18,742)
Capital increase		18,700	1,592	-	-	-	-	20,292	-	20,292
At December 31, 2006		76,500	1,592	252,676	(10,123)	(18,323)	329,519	631,841	-	631,841

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

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

	Notes	December 31, 2006	December 31, 2005
Cash flows from operating activities			
Interest received		907,318	560,837
Interest paid		(537,690)	(318,551)
Fees and commissions received		152,604	68,043
Trading income		3,786	(4,846)
Recoveries of impairment of loan, lease and factoring receivables		4,173	7,513
Fees and commissions paid		(29,297)	(14,177)
Cash payments to employees and other parties		(179,817)	(121,504)
Cash received from other operating activities		587	53,790
Other operating activities		(139,112)	(95,796)
Income taxes paid		(11,555)	(47,844)
Cash flows from operating activities before changes in operating assets and liabilities		**170,997**	**87,465**
Changes in operating assets and liabilities			
Net (increase) / decrease in trading securities		(788)	(93,004)
Net (increase) / decrease in reserve deposits at central banks		(248,087)	(103,952)
Net (increase) / decrease in due from banks and other financial institutions		158,102	(136,970)
Net (increase) / decrease in loans and advances		(2,240,338)	(1,391,245)
Net (increase) / decrease in factoring receivables		(126,971)	(42,427)
Net (increase) / decrease in minimum lease payments receivable		(111,304)	(22,803)
Net (increase) / decrease in other assets		(36,684)	(11,601)
Net increase / (decrease) in deposits from other banks		68,898	9,911
Net increase / (decrease) in customers' deposits		2,320,595	1,034,695
Net increase / (decrease) in other money market deposits		15,912	598,762
Net increase / (decrease) in factoring payables		50,145	4,906
Net increase / (decrease) in other liabilities		(47,650)	27,442
Net cash (used in) provided by operating activities		**(198,170)**	**(126,286)**
Cash flows from investing activities			
Purchases of available for sale securities		(1,547,044)	(1,635,394)
Proceeds from sale and redemption of available for sale securities		1,126,318	920,957
Purchases of held to maturity securities		-	(12,441)
Proceeds from redemption of held to maturity securities		898	72,859
Acquisition of subsidiaries, net of cash disposed		-	(660)
Purchases of property and equipment	11	(52,447)	(26,652)
Proceeds from the sale of premises and equipment		988	456
Purchases of intangible assets	12	(4,763)	(3,627)
Proceeds from the sale of intangible assets		-	-
Net cash provided by (used in) investing activities		**(476,050)**	**(684,502)**
Cash flows from financing activities			
Proceeds from funds borrowed and debt securities		5,869,389	206,753
Repayment of funds borrowed and debt securities		(5,146,275)	-
Issue of share capital	19	18,700	-
Premium in excess of par		1,592	-
Dividends paid to equity holders of the parent	20	(18,742)	(9,414)
Net cash provided by (used in) financing activities		**724,664**	**197,339**
Effect of net foreign exchange difference		7,387	5,118
Net increase/ (decrease) in cash and cash equivalents		228,828	(520,866)
Cash and cash equivalents at beginning of year	4	1,230,570	1,751,436
Cash and cash equivalents at end of year	**4**	**1,459,398**	**1,230,570**

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

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 in 1982 was acquired by the Çolakoğlu Group. Its name 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 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 at Meclis-i Mebusan Caddesi, No: 57, Fındıklı-Istanbul/Turkey.

TEB Mali Yatırımlar A.Ş., the ultimate shareholder of the Group by 84.25% shares, sold shares representing 50% of its capital to BNP Paribas on February 10, 2005.

The consolidated financial statements of the Bank were authorized for issue by the management on March 9, 2007. 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 December 31, 2006 and 2005 are as follows:

	Place of Incorporation	Effective Shareholding And Voting Rights %	
		December 31, 2006	December 31, 2005
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 Factoring A.Ş. (TEB Factoring)	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 Custody Services TEB	Netherlands	100.0	100.0
Kronenburg Vastgoed B.V.	Netherlands	100.0	100.0
Petek International Holdings B.V.(Petek International) (*)	Netherlands	-	100.0

(*) Liquidation process of Petek International was completed in 2006.

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.

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 Factoring - 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 – Managing mutual funds, which are made up of capital market instruments. It also manages individual customer portfolios.

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.

Petek International (liquidated) - Private holding company. The Group completed the liquidation of its investment in Petek International in 2006 (total assets, equity and net income included in the 2005 financial statements for this subsidiary amounted to TRY 53, TRY 52 and TRY 27, respectively).

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). The consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale securities, trading securities and derivative financial instruments that have been 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 from statutory financial statements of the Bank and its subsidiaries and 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 consolidation of subsidiaries, deferred taxation and reserve for impairment of loans.

2.2 Summary of Significant Accounting Policies, Judgments and Estimates

Judgments and Estimates

The preparation of the financial statements in accordance with IFRS 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 from 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 Company and its subsidiaries, which operate in Turkey, is New Turkish Lira (TRY). Until December 31, 2004, the restatement for the changes in the general purchasing power of TRY is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 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. Determining whether an economy is hyperinflationary in accordance with IAS 29 requires judgment as the standard does not establish an absolute rate, instead it considers the following characteristics of the economic environment of a country to be strong indicators of the existence of hyperinflation: (a) the general population prefers to keep its wealth in non monetary assets or in a relatively stable currency; amounts of local currency held are immediately invested to maintain purchasing power, (b) the general population regards monetary amounts not in terms of local currency but in terms of a relatively stable currency; prices may be quoted in that currency, (c) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short, (d) interest rates, wages and prices are linked to a price index and (e) the cumulative inflation rate over three years is approaching, or exceeds 100%.

IAS 29 describes characteristics that may indicate that an economy is hyperinflationary. However, it concludes that it is a matter of judgment when restatement of financial statements becomes necessary. After experiencing hyperinflation in Turkey for many years, as a result of the new economic program, which was launched in late 2001, the three-year cumulative inflation rate dropped below 100% in July 2004. As of December 31, 2005, the three-year cumulative inflation rate has been 33.17% based on the indices published by the Turkish Statistical Institute. Besides, other non-quantitative factors have consistently proven that the economy ceased to be hyperinflationary. This could be observed in the continuous increase in the proportion of TRY denominated bank deposits to the total deposits to 65% at December 31, 2005, the existence of longer payment terms exceeding 12 months and decreasing implicit interest embedded into the prices in the economy and the introduction of long-term mortgage financing products by the banks with maturities up to 30 years.

The Banking Regulation and Supervision Agency (BRSA), the accounting standard setting body for the Turkish banks, has announced on April 28, 2005 in the BRSA's Circular No. 2005/5 that the indicators of hyperinflation are no longer valid for similar reasons outlined above and required banks to discontinue the use of hyperinflationary accounting effective from January 1, 2005. The Turkish Capital Markets Board (CMB), the accounting standard setting body for publicly quoted Turkish companies, has also terminated the use of inflation accounting by the CMB's Resolution dated March 17, 2005 and numbered 11/367. The Ministry of Finance has also abolished inflation accounting with the Tax Procedural Law Circular/No. 18, dated April 19, 2005. Also, the response letter of the International Accounting Standards Board (IASB) to the question of Banks Association of Turkey stated that "whether an economy is operating under conditions of hyperinflation must be determined by reference to the characteristics set out in IAS 29 and such determination is best made by those with direct experience of the economy concerned". Accordingly, the BRSA, in its letter to the Banks Association of Turkey indicated that the Turkish Capital Markets Board, the Ministry of Finance and the BRSA are the institutions with direct experience of Turkish economy and all announced that the indicators of hyperinflation are no longer valid and terminated the use of inflation accounting.

Based on all of the above factors, management of the Group believes that the qualitative and quantitative characteristics necessitating restatement pursuant to IAS 29 were not applicable in Turkey in 2005 and therefore decided to discontinue the inflation accounting application effective from January 1, 2005.

The annual inflation rate for 2005 has been 2.66% based on the Producers' Price Index announced by the State Institute of Statistics.

Functional Currencies of Foreign Subsidiaries:

As of December 31, 2006, Economy Bank adopted the Euro (EUR) as its functional currency.

Basis of Consolidation and Goodwill

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

Subsidiaries are all entities over which the Group has power to govern the financial and operating policies so as to benefit from its 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 consolidated. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date of acquisition, being 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 method of accounting is used for acquired businesses. The purchase method of accounting involves 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, 2006 and 2005 was TRY 1,205 (see Note 12) 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 that 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.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent 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.

The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and income statement, respectively.

Investments in Associates

The Group's investments in associates are accounted for under the equity method of accounting. The investments in associates are carried on the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The income statement reflects the Group's share of the results of operations of the associates. When there is a change recognized directly in the equity of an associate, the Group recognizes its share of any changes and discloses this when applicable, in the statement of changes in equity.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those by the Group for similar transactions and events.

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

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 taken 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, 2004	1.82	1.34
December 31, 2005	1.59	1.34
December 31, 2006	1.85	1.41

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 rate of exchange ruling at the balance sheet date. The income statements of foreign subsidiaries are also translated at average exchange rates for the period. On consolidation 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.

As of January 1, 2006 the Group designated a hedging relationship amounting to EUR 30 million to hedge its investment in TEB NV. All exchange differences arising from this hedging activity were recognized under equity during the year.

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.

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 life of the asset 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 separately from a business 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 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.

Investments and Other 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.

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Group. 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 – for example 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 fair value would increase by TRY 570 before tax effect, 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 2006 or 2005.

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 reported as interest income.

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 which 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 indicative of the fair value of the instrument, fair value is determined by reference to the current market value of another instrument which is substantially the same, recent arm's length transactions, discounted cash flow analysis and 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 are part of. Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements 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 agreements 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.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount 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.

Recognition and Derecognition of Financial Instruments

The Group recognizes a financial asset or financial liability in its balance sheet when and 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 are 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.

Cash and Cash Equivalents

For the purposes of the consolidated cash flows statement, cash and cash equivalents comprise 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.

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. 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) it 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 asset's carrying amount and the estimated recoverable amount, 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.

The Group first assesses whether objective evidence of 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 of 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, advances and receivables as of December 31, 2006 is TRY 6,366,640 (December 31, 2005 - TRY 3,859,536) net of impairment allowance of TRY 54,892 (December 31, 2005 - TRY 37,644).

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 because 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 asset's carrying amount and the present value of its recoverable amount. 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.

Employee Benefits

The Group has both defined benefit and defined contribution plans as described below:

(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.

Such defined benefit plan is unfunded 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 16 are reviewed regularly. The carrying value of employee termination benefit provisions as of December 31, 2006 is TRY 7,516 (December 31, 2005 - TRY 6,490).

(b)Defined Contribution Plans:

For defined contribution plans the Group pays contributions to publicly administered Social Security Funds on a mandatory basis. The Group also pays contributions on a contractual basis to TEB'liler Vakfı ("TEB'liler Foundation"), which is a privately administrated pension plan, the members of which are the employees of the Group. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefits. For the employees of the Group that are the members of Tebliler Foundation, the Parent Bank and subsidiaries do not have any other liability to this foundation other than paying 20% of the first monthly contribution fee of the employee only for one time.

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, also 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 cancelable 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 has expired, 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.

(b) The Group as Lessor

Finance leases

The Group classifies leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the finance 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 then carried at amortized cost.

Income and Expense Recognition

Interest income and expense 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 to 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.

Income Tax

Tax expense / (income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

The Group is subject to income taxes in various jurisdictions. Where there are matters the final tax outcome is 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, 2006, the Group carry TRY 19,702 of income taxes payable (December 31, 2005 - TRY 12,720), TRY 18,259 of deferred tax asset (2005 - TRY 15,552) and TRY 0 (nil) of deferred tax liability (2005 - TRY 14).

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 taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively 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 substantively 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.

Derivative Financial Instruments

The Group enters into transactions with derivative instruments including forwards, swaps and options in the foreign exchange and capital markets. Most of these derivative transactions are considered as effective economic hedges under the Group's risk management policies; however since they do not qualify for hedge accounting under the specific provisions of IAS 39, they are treated as derivatives held-for-trading. Derivative financial instruments are initially recognized at fair value on the date which a derivative contract is entered into and subsequently remeasured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognized in the income statement.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, to the extent publicly available, and the fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. As of December 31, 2006, the carrying amount of derivative financial assets TRY 22,280 (December 31, 2005 - TRY 6,228) and the carrying amount of derivative financial liabilities is TRY 69,121 (December 31, 2005 - TRY 21,970).

In the absence of forward foreign currency market rates and reliable forward rate estimations in a volatile market, values of foreign currency forward and swap transactions are determined by comparing the period end foreign exchange rates with the forward rates discounted to the balance sheet date. The resulting gain or loss is reflected to the income statement. In determination of the fair values of interest rate swaps, discounted values calculated using the fixed and floating interest rates between the transaction date and repricing date are used. Fair value 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 taking into account exercizability of the option. Changes in assumptions about these factors could affect reported fair value of financial instruments.

Hedges of a Net Investment

The Group hedges its net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, and is accounted similarly to cash flow hedges:

(a) the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity through the statement of changes in equity; and

(b) the ineffective portion is recognized in profit or loss.

As of January 1, 2006 the Group designated a hedging relationship amounting to EUR 30 million to hedge its investment in TEB NV. All exchange differences arising from this hedging activity were recognized under equity during the year.

The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognized directly in equity is recognized in profit or loss on disposal of the foreign operation.

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

The accounting policies adopted are consistent with those of the previous financial years except that the Group has adopted those new/revised standards mandatory for financial years beginning on or after January 1, 2005.

In summary:

The amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 4 "Insurance Contracts", IAS 21 "The Effects of Changes in Foreign Exchange Rates" and IAS 39 "Financial Instruments: Recognition and Measurement" had no material effect on the Group's accounting policies. IFRS 6 "Exploration for and Evaluation of Mineral Resources" is not relevant to the Group's operations.

IFRS and IFRIC Interpretations not yet effective

The Group has not applied the following IFRS and IFRIC Interpretations that have been issued but are not yet effective:

IAS 1 "Presentation of Financial Statements added disclosures about an entity's capital."- This Standard will be effective for annual periods beginning on or after January 1, 2007.

IFRS 7 "Financial Instruments-Disclosures"- This Standard supersedes IAS 30 and disclosure requirements of IAS 32 and is effective for annual periods beginning on or after January 1, 2007.

IFRS 8 "Operating Segments" – This Standard is effective for periods beginning on or after January 1, 2009.

IFRIC 7 "First-time Adoption of IAS 29" – This Interpretation is effective for annual periods beginning on or after March 1, 2006.

IFRIC 8 "Scope of IFRS 2" – This Interpretation is effective for annual periods beginning on or after May 1, 2006.

IFRIC 9 "Financial Instruments; Reassessment of embedded derivatives" – This Interpretation is effective for annual periods beginning on or after June 1, 2006

IFRIC 10 "Interim Financial Reporting and Impairment" – This Interpretation is effective for annual periods beginning on or after November 1, 2006.

IFRIC 11 "Interim Financial Reporting and Impairment" – This Interpretation is effective for periods beginning on or after March 1, 2007.

IFRIC 12 "Service Concession Arrangements" – This Interpretation is effective for periods beginning on or after January 1, 2008.

The Group expects that adoption of the pronouncements listed above will have no material impact on the Group's financial statements in the period of initial application other than presentation of additional disclosures on financial instruments as required by IFRS 7.

Reclassification of Comparative Information

The Group has made certain reclassifications in the consolidated financial statements as of December 31, 2005 to be consistent with the current year presentation. Major reclassifications are as follows:

- TRY 2,209 of provisions for guarantees given has been classified from loans to provisions.
- TRY 225 of assets held for resale have been classified from tangible assets to other assets.
- TRY 13,129 of commission income have been classified from fees and commission income to interest on loans and advances.
- TRY 3,589 of net income from other activities has been classified from other operating expense to net income from other activities.
- TRY 332 of commission expenses have been classified from other operating expenses to fees and commission expense.

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

3. 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.

Year ended December 31, 2006

	Retail Banking	Corporate Banking	Other	Eliminations	Group
External revenues	292,407	496,162	336,354	(4,675)	1,120,248
Revenues from other segments	-	-	-	-	-
Total revenues	**292,407**	**496,162**	**336,354**	**(4,675)**	**1,120,248**
Segment result (A)	(2,392)	232,658	(57,382)	(598)	172,286
Unallocated costs (B)	-	-	-	-	-
Operating profit (A-B)	**(2,392)**	**232,658**	**(57,382)**	**(598)**	**172,286**
Dividend Income	-	-	22,661	(22,661)	-
Profit before income tax	(2,392)	232,658	(34,721)	(23,259)	172,286
Income tax	-	-	(39,165)	-	(39,165)
Net profit	**(2,392)**	**232,658**	**(73,886)**	**(23,259)**	**133,121**
Assets and Liabilities					
Segment assets	776,735	5,266,420	4,033,166	-	10,076,321
Investment in associates	-	-	-	-	-
Unallocated assets	-	-	173,504	-	173,504
Total assets	**776,735**	**5,266,420**	**4,206,670**	**-**	**10,249,825**
Segment liabilities	3,508,830	3,103,493	2,813,015	-	9,425,338
Unallocated liabilities	-	-	192,646	-	192,646
Total liabilities	**3,508,830**	**3,103,493**	**3,005,661**	**-**	**9,617,984**
Other segment information					
Capital expenditures					
Tangible fixed assets	-	-	-	-	52,447
Intangible fixed assets	-	-	-	-	4,763
Depreciation	-	-	-	-	16,615
Amortization	-	-	-	-	2,551

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

Year ended December 31, 2005

	Retail Banking	Corporate Banking	Other	Eliminations	Group
External revenues	70,989	385,165	287,070	(11,844)	731,380
Revenues from other segments	-	-	-	-	-
Total revenues	**70,989**	**385,165**	**287,070**	**(11,844)**	**731,380**
Segment result (A)	21,515	119,805	16,688	(2,953)	155,055
Unallocated costs (B)	-	-	-	-	-
Operating profit (A-B)	**21,515**	**119,805**	**16,688**	**(2,953)**	**155,055**
Income from associates	-	-	-	-	-
Profit before income tax	21,515	119,805	16,688	(2,953)	155,055
Income tax	-	-	(43,743)	-	(43,743)
Net profit	**21,515**	**119,805**	**(27,055)**	**(2,953)**	**111,312**
Assets and Liabilities					
Segment assets	390,134	2,997,158	3,448,311	(39,713)	6,795,890
Investment in associates	-	-	1,536	-	1,536
Unallocated assets	-	-	110,279	-	110,279
Total assets	**390,134**	**2,997,158**	**3,560,126**	**(39,713)**	**6,907,705**
Segment liabilities	1,566,964	2,759,462	2,022,595	(38,029)	6,310,992
Unallocated liabilities	-	-	90,200	(2,058)	88,142
Total liabilities	**1,566,964**	**2,759,462**	**2,112,795**	**(40,087)**	**6,399,134**
Other segment information					
Capital expenditures					
Tangible fixed assets	-	-	-	-	26,427
Intangible fixed assets	-	-	-	-	3,627
Depreciation	-	-	-	-	13,022
Amortization	-	-	-	-	1,886

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

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 10% of total entity revenue.

Year ended December 31, 2006

	Turkey	European Union	Total
Other segment information			
Segment assets	8,651,498	1,424,823	10,076,321
Investment in associates	-	-	-
Unallocated assets	164,684	8,820	173,504
Total assets	**8,816,182**	**1,433,643**	**10,249,825**
Capital expenditures			
Tangible fixed assets	52,383	64	52,447
Intangible fixed assets	4,763	-	4,763

Year ended December 31, 2005

	Turkey	European Union	Total
Other segment information			
Segment assets	5,598,992	1,196,898	6,795,890
Investment in associates	1,536	-	1,536
Unallocated assets	106,332	3,947	110,279
Total assets	**5,706,860**	**1,200,845**	**6,907,705**
Capital expenditures			
Tangible fixed assets	26,257	170	26,427
Intangible fixed assets	3,430	197	3,627

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

4. CASH AND CASH EQUIVALENTS

	December 31, 2006	December 31, 2005
Cash on hand	129,424	87,372
Balances with central banks	290,485	183,131
Cash and balances with central banks	**419,909**	**270,503**
Deposits with banks and other financial institutions	**1,041,575**	**964,911**
Funds lent under reverse repurchase agreements	1,194	6,538
Interbank placements	-	150,000
Other money market placements	**1,194**	**156,538**
Less: Time deposits with original maturities of more than three months	(3,280)	(161,382)
Cash and cash equivalents in the cash flow statement	**1,459,398**	**1,230,570**

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

	December 31, 2006 Effective interest rate		December 31, 2005 Effective interest rate	
	New Turkish Lira	Foreign Currency	New Turkish Lira	Foreign Currency
Balances with central banks	-	1.73%-3.30%	-	1.14%-2.03%
Deposits with banks and other financial institutions	13.65%-20.80%	5.15%-12.00%	15.75%-19.00%	2.47%-4.31%
Funds lent under reverse repurchase agreements	18.15%-18.30%	-	15.00%-15.30%	-
Interbank placements	-	-	14.98%	-

5. RESERVE DEPOSITS AT CENTRAL BANKS

As of December 31, 2006 and 2005, the amounts of reserve deposits at central banks are TRY 568,168 and TRY 316,924, 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 545,614 (December 31, 2005 - TRY 297,846).

As of December 31, 2006 and 2005, the reserve deposit requirements applicable in Turkey for New Turkish Lira and foreign currency deposits were 6% and 11%, respectively.

As of December 31, 2006, the interest rates applied for New Turkish Lira and foreign currency reserve deposits are 13.12% and 1.73% - 2.52% (December 31, 2005 – 10.25% and 1.14% - 2.03%), 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. The reserve deposit requirements applicable in Netherlands for all deposits were 2% less EUR 100,000 (in full).

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

6. INVESTMENTS IN FINANCIAL INSTRUMENTS

Financial assets at fair value through profit and loss:

	December 31, 2006			December 31, 2005		
	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	75,628	20.90%-21.40%	5.30%-7.20%	38,107	14.05%-14.21%	3.84%-6.02%
Turkish treasury bills	1,725	15.00%-23.06%	9.00%-12.38%	9,275	14.45%-14.68%	-
Eurobonds issued by the Turkish government	5,052	-	5.00%-5.20%	1	-	10.00%
Equity instruments –listed	2,324	-	-	-	-	-
Total financial assets at fair value through profit and loss	**84,729**			**47,383**		

Investment Securities:

	December 31, 2006			December 31, 2005		
	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	632,965	14.14%-22.20%	6.40%-6.60%	231,639	15.33%-20.00%	2.72%-3.12%
Turkish treasury bills	-	-	-	2,517	14.94%-18.23%	-
Eurobonds issued by the Turkish government	65,618	-	5.65%-5.85%	68,073	-	7.25%-11.88%
Total available for sale securities at fair value	**698,583**			**302,229**		
Available-for-sale securities at cost						
Equity instruments –listed	482			-		
Equity instruments –unlisted	80			9		
Total available for sale securities	**699,145**			**302,238**		
Debt instruments						
Turkish treasury bills	1,657	23.06%	-	2,094	18.23%	-
Eurobonds issued by the Turkish government	9,400	-	5.80%	9,715	-	5.62%
Total held-to-maturity securities	**11,057**			**11,809**		
Total investment securities	**710,202**			**314,047**		

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

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, as a reliable estimate of their fair values could not be made.

Loaned Securities:

Carrying value of debt instruments given as collateral under repurchase agreements which are classified as loaned securities and related liabilities are:

	December 31, 2006	December 31, 2005
Financial assets at fair value through profit and loss	4,865	62,863
Available-for-sale securities	856,759	796,957
Held-to-maturity securities	-	-
Carrying value of securities given as collateral under repos	**861,624**	**859,820**
Related liability	**771,004**	**755,092**

Repurchase agreements mature within 1 month.

In addition, as of December 31, 2006, government securities with carrying values of TRY 181,748 (December 31, 2005 - TRY 226,210) are pledged to the Central Bank and the IMKB 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 and money market operations.

TRY 1,088,609 (December 31, 2005 - TRY 722,297) 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 (2005 - nil).

Gains and losses from investment securities arise from derecognition of available for sales securities.

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

	December 31, 2006			December 31, 2005		
	Available-for-sale	Held-to-maturity	Total	Available-for-sale	Held-to-maturity	Total
At January 1	1,099,195	11,809	1,111,004	362,270	75,373	437,643
Exchange differences	-	(55)	(55)	-	-	-
Additions	1,560,149	-	1,560,149	1,648,879	12,606	1,661,485
Disposals (sale and redemption)	(1,126,318)	(898)	(1,127,216)	(908,658)	(76,170)	(984,828)
Changes in fair value	22,878	201	23,079	(3,296)	-	(3,296)
At December 31 2006	**1,555,904**	**11,057**	**1,566,961**	**1,099,195**	**11,809**	**1,111,004**

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

7. LOANS AND ADVANCES

	December 31, 2006			December 31, 2005		
	Amount	Effective interest rate		Amount	Effective interest rate	
		New Turkish Lira	Foreign Currency		New Turkish Lira	Foreign Currency
Corporate loans	4,974,460	17.50%-35.00%	3.00%-42.06%	3,070,900	14.00%-38.00%	2.75%-10.20%
Consumer loans	700,456	12.60%-59.40%	3.00%-13.20%	378,977	13.08%-71.40%	4.00%-13.20%
Credit cards	50,281	47.40%-75.48%	-	25,028	54.00%-78.00%	-
Other	28,738	19.60%-33.25%	-	6,027	17.80%-28.05%	-
Total performing loans	**5,753,935**			**3,480,932**		
Loans in arrears	44,792			33,679		
Less: Specific reserve for impairment	(27,746)			(16,849)		
Less: Portfolio reserve for impairment	(21,148)			(16,091)		
Total	**5,749,833**			**3,481,671**		

Loans and advances amounting to TRY 2,396,179 have floating interest rates and the rest have fixed interest. (December 31, 2005 – TRY 90,387)

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.

Movements in the reserve for impairment on loans and advances:

	December 31, 2006	December 31, 2005
Reserve at beginning of year	32,940	21,479
Provision for impairment	21,633	13,729
Recoveries	(3,665)	(1,911)
Provision net of recoveries	17,968	11,818
Loans written off during the year	(2,014)	(357)
Reserve at the end of the year	**48,894**	**32,940**

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

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

8. FACTORING RECEIVABLES AND PAYABLES

	December 31, 2006			December 31, 2005		
	Amount	Effective interest rate		Amount	Effective interest rate	
		New Turkish Lira	Foreign Currency		New Turkish Lira	Foreign Currency
Factoring receivables	298,884	14.08 %-47.02%	3.13%-10.06%	168,572	10.35%-40.12%	2.54%-6.53%
Receivables in arrears	1,977			1,554		
Less: Reserve for impairment	(2,562)			(1,704)		
Less: Deferred income	(4,978)			(2,113)		
Net factoring receivables	293,321			166,309		
Factoring payables	(111,072)			(60,927)		
Funds in use, net	182,249			105,382		

Factoring receivables amounting to TRY 64,847 have floating interest rates and the rest have fixed interest rates. (December 31, 2005-nil)

Movements in the reserve for impairment:

	December 31, 2006	December 31, 2005
Reserve at beginning of year	1,704	1,540
Provision for impairment	1,036	376
Recoveries	(178)	(212)
Provision net of recoveries	858	164
Reserve at end of the period (year)	2,562	1,704

9. MINIMUM LEASE PAYMENTS RECEIVABLE

	December 31, 2006	December 31, 2005
Not later than 1 year	183,073	132,163
Later than 1 year but not later than 5 years	187,877	108,307
Later than 5 years	1,113	-
Minimum lease payments receivable, gross	372,063	240,470
Less: Unearned interest income	(49,766)	(28,208)
Net investment in finance leases	322,297	212,262
Lease receivables in arrears	4,625	2,294
Less : Reserve for impairment	(3,436)	(3,000)
Minimum lease payments receivable, net	323,486	211,556

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

Net investment in finance leases are analyzed as follows:

	December 31, 2006	December 31, 2005
Not later than 1 year	154,487	115,080
Later than 1 year but not later than 5 years	166,729	97,182
Later than 5 years	1,081	-
Total	**322,297**	**212,262**

As of December 31, 2006 and 2005, TRY 309,212 and TRY 216,502 of gross lease receivables are denominated in foreign currencies (mainly USD and EUR), respectively. The average interest rates are between 13.66% and 14.20% (December 31, 2005 - 9.26% to 10.33%) for foreign currency and average of 24.16% (December 31, 2005 - 22.04%) for TRY denominated receivables. Finance lease receivables have fixed interest rates.

Movements in the reserve for impairment:

	December 31,2006	December 31, 2005
Reserve at beginning of year	3,000	2,069
Provision for impairment	766	1,016
Recoveries	(330)	-
Provision net of recoveries	436	1,016
Minimum lease payments receivable written off during the year	-	(85)
Reserve at end of the year	**3,436**	**3,000**

10. INVESTMENT IN ASSOCIATES

	December 31, 2006		December 31, 2005	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Investment in associate				
Varlık Yatırım Ortaklığı A.Ş.	-	-	1,536	34%
Total	**-**		**1,536**	

As of August 25, 2006 the Group has completed transferring all of its shares in Varlık Yatırım Ortaklığı A.Ş. A type shares (TRY 22,500 nominal) have been sold for a value found by adding TRY 13.33 to the unit par value to be calculated for the work day before the transfer and B type shares (TRY 1,252,500 nominal) have been sold in the stock exchange.

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

11. PREMISES AND EQUIPMENT

	Land and Buildings	Motor Vehicles	Furniture, Office Equipment, Leasehold Improvements	Total
At January 1, 2005, net of accumulated depreciation	20,223	560	28,527	49,310
Additions	-	86	26,341	26,427
Disposals	-	(247)	(209)	(456)
Depreciation charge for the year	(335)	(126)	(12,561)	(13,022)
Exchange adjustment	(966)	(37)	(11)	(1,014)
At December 31, 2005/January 1, 2006, net of accumulated depreciation	**18,922**	**236**	**42,087**	**61,245**
Additions	39	-	52,408	52,447
Disposals	-	-	(988)	(988)
Depreciation charge for the year	(384)	(76)	(16,155)	(16,615)
Exchange adjustment	1,036	18	51	1,105
At December 31, 2006, net of accumulated depreciation	**19,613**	**178**	**77,403**	**97,194**
At December 31, 2005				
Cost	21,932	556	129,517	152,005
Accumulated depreciation	(3,010)	(320)	(87,430)	(90,760)
Net carrying amount	**18,922**	**236**	**42,087**	**61,245**
At December 31, 2006				
Cost	23,060	586	180,416	204,062
Accumulated depreciation	(3,447)	(408)	(103,013)	(106,868)
Net carrying amount	**19,613**	**178**	**77,403**	**97,194**

As of December 31, 2006 the cost of fully depreciated items is amounting to TRY 65,371 (December 31, 2005 - TRY 59,520).

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

12. INTANGIBLE ASSETS

	Goodwill	Software Licenses and Other	Total
At January 1, 2005, net of accumulated amortization	-	3,913	3,913
Additions	1,205	2,422	3,627
Disposals	-	(4)	(4)
Amortization charge for the year	-	(1,886)	(1,886)
Exchange adjustment	-	(25)	(25)
At December 31, 2005, net of accumulated amortization	**1,205**	**4,420**	**5,625**
Additions	-	4,763	4,763
Disposals	-	-	-
Amortization charge for the year	-	(2,551)	(2,551)
Exchange adjustment	-	44	44
At December 31, 2006, net of accumulated amortization	**1,205**	**6,676**	**7,881**
At December 31, 2005			
Cost (gross carrying amount)	1,205	16,387	17,592
Accumulated amortization	-	(11,967)	(11,967)
Net carrying amount	**1,205**	**4,420**	**5,625**
At December 31, 2006			
Cost (gross carrying amount)	1,205	20,816	22,021
Accumulated amortization and impairment	-	(14,140)	(14,140)
Net carrying amount	**1,205**	**6,676**	**7,881**

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 is amounting to TRY 6,777 as of December 31, 2006 (December 31, 2005 - TRY 6,405).

13. OTHER ASSETS

	December 31, 2006	December 31, 2005
Transitory accounts	11,418	11,344
Advances given to suppliers	8,826	2,788
Equipment to be leased	6,552	4,755
Prepaid income and other taxes	1,834	675
Assets held for resale	1,161	947
Others	20,379	7,348
Total	**50,170**	**27,857**

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

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 period. As of December 31, 2006 and 2005, the equipment to be leased balance includes cost of the equipment to be leased as described above together with the related expenses.

Assets held for resale comprise of land, building and vehicles that are acquired from defaulted loan customers and are held for disposal through sale. These are stated at cost less reserve for impairment based on the valuations made by independent appraisal firms (Impairment recorded as of December 31, 2006 and 2005 is nil).

14. DEPOSITS

Deposits from other banks

	December 31, 2006			December 31, 2005		
	Amount	Effective interest rate		Amount	Effective interest rate	
		New Turkish Lira	Foreign Currency		New Turkish Lira	Foreign Currency
Demand	48,338	-	-	16,561	-	-
Time	139,862	15.00%-21.00%	2.00%-5.30%	102,741	15.28%-18.50%	2.55%-4.75%
Total	**188,200**			**119,302**		

Customers' deposits

	December 31, 2006			December 31, 2005		
	Amount	Effective interest rate		Amount	Effective interest rate	
		New Turkish Lira	Foreign Currency		New Turkish Lira	Foreign Currency
Saving						
Demand	271,270	1.00%-5.00%	1.50%-2.50%	233,803	12.80%-14.30%	0.75%-4.13%
Time	3,273,863	9.00%-22.00%	2.00%-12.00%	1,713,035	12.50%-17.92%	2.20%-6.00%
	3,545,133			**1,946,838**		
Commercial and other						
Demand	821,096	1.00%-7.00%	1.00%-2.50%	574,873	13.65%-17.25%	0.75%-4.72%
Time	2,171,274	10.00%-22.00%	1.00%-6.18%	1,679,470	13.41%-15.96%	2.58%-4.26%
	2,992,370			**2,254,343**		
Total	**6,537,503**			**4,201,181**		

Included in customer accounts were deposits of TRY 406,191 (December 31, 2005 - TRY 314,039) held as collateral for cash and non-cash loans given.

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

Other money market deposits

	December 31, 2006			December 31, 2005		
	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	223,681	17.95%-18.55%	-	417,310	6.12% - 13.46%	-
-Due to banks and other financial institutions	547,323	17.95%-18.60%	-	337,782	15.30%	-
	771,004			755,092		

15. FUNDS BORROWED

	December 31, 2006		
		Effective interest rate	
	Amount	New Turkish Lira	Foreign Currency
Short-term			
Fixed interest	559,418	10.00%-20.05%	3.64%-6.31%
Floating interest	592,041	-	4.03%-8.90%
Medium/long-term			
Fixed interest	90,754	-	2.19%-7.95%
Floating interest	208,735	-	4.15%-8.36%
Fixed interest subordinated loan	205,251	-	6.10%
Floating interest subordinated loan	92,239	-	8.67%
Total	1,748,438		

	December 31, 2005		
		Effective interest rate	
	Amount	New Turkish Lira	Foreign Currency
Short-term			
Fixed interest	355,012	9.00%-18.00%	1.00%-6.80%
Floating interest	335,534	-	2.80%-5.40%
Medium/long-term			
Fixed interest	27,261	-	3.77%-6.16%
Floating interest	284,045	-	3.69%-7.84%
Floating interest subordinated loan	89,740	-	7.00%-7.19%
Total	1,091,592		

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

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

	December 31, 2006		December 31, 2005	
	Fixed rate	Floating rate	Fixed rate	Floating rate
2006	-	-	9,653	70,368
2007	-	6,247	5,134	110,016
2008	47,854	53,223	3,374	33,289
2009	15,043	52,771	1,763	60,447
2010 and thereafter	233,108	188,733	7,337	99,665
Total	**296,005**	**300,974**	**27,261**	**373,785**

In addition to the subordinated loans obtained from IFC (International Finance Corporation) amounting to USD 15 million maturing on October 14, 2011 and USD 50 million maturing on June 29, 2015, the Bank has obtained a subordinated loan from Economy Luxembourg S.A. amounting to EUR 110 million maturing on October 31, 2016.

As of December 31, 2006, the Bank has replaced its EUR 210,000,000 syndication loan under foreign borrowings with maturity of one year contracted on November 18, 2005 with the loan of EUR 205,000,000 maturing on November 13, 2007 for two years.

Funds borrowed are unsecured.

Floating rate borrowings bear interest at rates fixed in advance for periods of 6 to 12 months.

The Group has not had any defaults of principal, interest or redemption amounts or other breaches of loan covenants during 2006 (2005 - none).

16. OTHER LIABILITIES AND PROVISIONS

	December 31, 2006	December 31, 2005
Other liabilities		
Transitory accounts (mainly cheques clearance account)	31,839	40,469
Payables to credit card member firms	31,471	19,936
Taxes and compulsory contributions other than on income	25,533	17,208
Trade and other payables	24,415	7,309
Blocked bank cheques	16,027	17,535
Advances taken	8,808	4,616
Unused vacation pay liability	6,460	3,900
Payment orders	1,451	3,875
Others	17,052	12,789
	163,056	**127,637**
Provisions		
Employee termination benefits	7,516	6,490
Portfolio reserve for non-cash loans	2,372	2,209
	9,888	**8,699**
Total	**172,944**	**136,336**

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

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 1.857 and TRY 1.727 at December 31, 2006 and 2005 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, 2006 and 2005, the Group reflected a liability calculated using the ProjectedUnit 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 1.961 effective January 1, 2007.

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

	December 31, 2006	December 31, 2005
Discount rate	11%	12%
Expected rates of salary/limit increases	5%	6.175%

The movement in provision for retirement pay liability is as follows:

	December 31, 2006	December 31, 2005
Provision at the beginning of the year	6,490	4,752
Utilized / paid	(945)	(411)
Arising during the year	1,971	2,149
At the end of the year	**7,516**	**6,490**

17. 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 the Group'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: In 2006 20%, in 2005 30%.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was decreased to 20% for 2006 (2005: 30%). The excess advance tax paid of corporate income that was calculated at the rate of 30% during the taxation of the corporate income in advance taxation periods after January 2006 over 20% will be deducted from future temporary tax returns.

Losses are allowed to be carried 5 years maximum 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 April 1 and April 25 following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

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

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, 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.

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 the Group chooses 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 was used as 20% as of December 31, 2006.

As of December 31, 2006 and 2005 advance income taxes are netted off with the current income tax liability as stated below:

	December 31, 2006	December 31, 2005
Income tax liability	31,257	52,934
Advance income taxes	(11,555)	(40,214)
	19,702	**12,720**

Major components of income tax expense for the year ended December 31, 2006 and 2005 are:

	December 31, 2006	December 31, 2005
Consolidated income statement		
Current income tax		
Current income tax charge	35,345	51,408
Deferred income tax		
Relating to origination and reversal of temporary differences	3,820	(7,665)
Income tax expense reported in consolidated income statement	**39,165**	**43,743**

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

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, 2006 and 2005 are as follows:

	December 31, 2006	December 31, 2005
Profit before income tax	172,286	155,055
At Turkish statutory income tax rate of 20% (2005 – 30%)	34,457	46,517
Income not subject to tax	(10,825)	(5,399)
Other, net (including effects of disallowables, permanent differences and different tax rates applied in different jurisdictions)	15,533	2,625
Income tax	**39,165**	**43,743**

Deferred income tax

Deferred income tax at December 31, 2006 and 2005 relates to the following:

	Consolidated Balance Sheet		Consolidated Income Statement	
	2006	2005	2006	2005
Deferred income tax liabilities				
Difference between tax and reporting bases of premises and equipment and intangible assets	2,633	2,624	9	459
Others	29	34	(5)	(80)
Gross deferred income tax liabilities	**2,662**	**2,658**	**4**	**379**
Deferred income tax assets				
Impairment provisions	4,620	6,168	(1,548)	3,820
Deferred gains and losses on foreign exchange contracts	9,590	4,923	4,667	3,535
Valuation differences of trading and investment securities	501	246	255	(687)
Employee termination benefits and vacation pay liability	2,795	2,914	(119)	207
Others	3,415	3,945	(530)	380
Gross deferred income tax assets	**20,921**	**18,196**	**2,725**	**7,255**
Deferred income tax asset, net	**18,259**	**15,538**	**2,721**	**6,876**
Deferred income tax credit (charge) recognized in equity			6,541	(789)
Deferred income tax credit (charge) recognized in income statement, net			**(3,820)**	**7,665**

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

Reflected as:

	December 31, 2006	December 31, 2005
Deferred tax asset	18,259	15,552
Deferred tax liability	-	(14)

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

	December 31, 2006	December 31, 2005
Balance at January 1	15,538	8,662
Deferred income tax credit (charge) recognized in income statement	2,721	6,876
Balance at period-end	**18,259**	**15,538**

Deferred income tax liabilities have not been established for the withholding and other taxes that would be payable on the unremitted earnings of subsidiaries operating outside of Turkey as it is not certain whether such amounts will be permanently reinvested or received in cash. If such amounts are collected in cash in the form of dividends, they will be subject to corporation tax in Turkey. On the other hand, if double tax treaty is signed between Turkey and the country where the subsidiary is resident, the provisions of double tax treaty will be considered.

18. 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, 2006			December 31, 2005		
	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	9,990	9,511	937,364	4,836	8,766	1,754,167
Currency swap contracts	8,536	37,824	1,616,585	1,235	12,923	530,482
Interest swap contracts	2,839	21,102	16,920	-	80	139,995
Call & put option contracts	862	457	874,373	157	201	548,101
Other	53	227	105,235	-	-	57,171
	22,280	**69,121**	**3,550,477**	**6,228**	**21,970**	**3,029,916**

As of December 31, 2006 and 2005, the majority of outstanding transactions in derivative financial instruments were with the banks and other financial institutions.

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

19. SHARE CAPITAL

	December 31, 2006	December 31, 2005
Total number of shares, TRY 0.001 par value (December 31, 2005: TRY 0.0005)	76,500 Million	115,600 Million

Shares traded on the Istanbul Stock Exchange are in the form of units of two shares with a combined nominal value of TRY 0.001 each.

As of December 31, 2006 and 2005, the Bank's historical subscribed and issued share capital was TRY 76,500 and TRY 57,800, respectively.

As of December 31, 2006 and 2005, the composition of shareholders and their respective % of ownership are summarized as follows:

	December 31, 2006		December 31, 2005	
	Amount	%	Amount	%
TEB Mali Yatırımlar A.Ş.	64,454	84.25	48,699	84.25
Publicly traded	11,956	15.63	8,766	15.17
Other shareholders	90	0.12	335	0.58
	76,500	100.00	57,800	100.00
Restatement effect	252,676		252,676	
Total	**329,176**		**310,476**	

7% of the Bank's remaining net profit corresponding to 60,000 shares of TRY 30 is to be allocated to the holders of founder shares. In accordance with the Board of Directors' decision numbered 3702/11 and dated February 10, 2005; 6 units of founder shares have been transferred to the Bank's major shareholder, TEB Mali Yatırımlar A.Ş.

Based on the resolution of the Board of Directors no. 3840/28 on March 31, 2006, the Parent Bank has increased its paid in capital of TRY 57,800 within the registered capital ceiling of TRY 100,000 by TRY 18,700, to TRY 76,500. TRY 18,700 that constitutes the capital increase has been decided to be used as pre-emptive rights to the shareholders and the non-used preemptive rights amounting to TRY 138 be traded on the Stock Exchange, and the whole amount to be paid in cash. The increase of TRY 18,700 was registered with Istanbul Trade Registry Office on September 20, 2006 and capital increase procedures were completed.

According to Bank's Board of Directors decision of its capital increase, the Bank has received TRY 1,592 of "Share Premiums" as a result of the sale of unused pre-emptive rights amounting to TRY 138 nominal shares on the Istanbul Stock Exchange.

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

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

Movement in legal reserves and retained earnings are as follows:

	December 31, 2006			December 31, 2005		
	Legal Reserves	Retained Earnings	Total	Legal Reserves	Retained Earnings	Total
At January 1	19,955	195,185	215,140	16,515	96,732	113,247
Change in consolidation structure	-	-	-	-	93	93
Issue of share capital	-	-	-	-	-	-
Transfer from retained earnings	8,812	(8,812)	-	3,440	(3,440)	-
Dividends paid	-	(18,742)	(18,742)	-	(9,414)	(9,414)
Net profit for the period (year)	-	133,121	133,121	-	111,214	111,214
At December 31	**28,767**	**300,752**	**329,519**	**19,955**	**195,185**	**215,140**

Legal Reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

Dividends Paid and Proposed

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

In the General Assembly meeting of the Parent Bank, dated March 23, 2006, it was decided to distribute the profit on the financial statements dated December 31, 2005. The amounts that were distributed to the shareholders who are subject to and not subject to withholding tax were TRY 0.3242670 and TRY 0.2918403 (Nominal full TRY) respectively. Dividends amounting to TRY 18,742 were paid to the shareholders commencing on April 6, 2006.

21. 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 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 December 31, 2006.

	Number of Shares (in millions) Issued Attributable to						
	Opening	Cash	Transfers from Retained Earnings	Transfers From Revaluation Surplus	Reinvestment of Dividend Payments	Total	Closing
1995 and before		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

(*)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, based on the amendment in the Turkish Commercial Law 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 has been replaced with 57,800 million number of shares each of which are equivalent to TRY 0.001. 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.

There is no dilution of shares as of December 31, 2006 and 2005.

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

	December 31, 2006	December 31, 2005
Net profit / (loss) attributable to ordinary shareholders for basic earnings per share	1.7651	1.4966
Weighted average number of ordinary shares (in millions) for basic earnings per share	75.420	74,312

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.

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

22. 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 Parent of the Bank. For the purpose of these consolidated financial statements, unconsolidated subsidiaries, associates, shareholders, Çolakoğlu Group companies, TEB'liler Foundation 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 year-ends and relating expense and income for the years are as follows:

December 31, 2006:

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 expense	Other operating income	Other operating expense
Direct/Indirect shareholders	1,409	2,765	131,404	377,579	2,697	-	5,768	173,855	3,646	32,409	1,702	5,395
Others	12,901	53,964	221,115	815,971	2,166	3	751	10,279	2,775	66,244	257	369

December 31, 2005:

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 expense	Other operating income	Other operating expense
Direct/Indirect shareholders	-	16,179	-	580,396	144,289	855	208	177,256	2,008	24,269	2,146	251
Others	29,353	78,444	149,900	715,008	-	1,258	60	2,867	1,262	27,303	15,042	524

No provisions have been recognized in respect of loans given to related parties (2005 - 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 16,140 as of December 31, 2006.
(December 31, 2005 – TRY 12,467) comprising mainly salaries and other short-term benefits.

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

23. SALARIES AND EMPLOYEE BENEFITS

	December 31, 2006	December 31, 2005
Wages and salaries	127,463	86,808
Cost of defined contribution plan (employers' share of social security premiums)	17,714	13,183
Bonuses	11,780	9,883
Provision for employee termination benefits	1,971	2,149
Other fringe benefits	21,915	11,569
Total	**180,843**	**123,592**

24. OTHER EXPENSES

	December 31, 2006	December 31, 2005
Maintenance and various administrative expenses	38,711	24,256
Rent expenses	28,332	18,668
Advertisement expenses	20,819	13,818
Communication expenses	13,205	8,919
Saving Deposit Insurance Fund (SDIF) premiums	4,068	2,409
Total	**105,135**	**68,070**

25. GAINS LESS LOSSES ON TRADING SECURITIES

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

26. FEES AND COMMISSIONS INCOME AND EXPENSES

	December 31, 2006	December 31, 2005
Fees and commissions income		
Banking	103,661	64,716
Fund management	31,343	32,682
Brokerage	17,600	12,962
Total	**152,604**	**110,360**
Fees and commissions expenses		
Banking	28,009	13,635
Other	1,288	2,721
Total	**29,297**	**16,356**

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

27. 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, 2006	December 31, 2005
Letters of guarantee issued	1,732,145	1,167,614
Letters of credit	889,026	681,843
Acceptance credits	50,146	52,685
Total non-cash loans	2,671,317	1,902,142
Other commitments	660,554	417,646
Credit card limit commitments	260,614	162,050
Letters of guarantee obtained	114,579	58,868
Total	**3,707,064**	**2,540,706**

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 896,625 at December 31, 2006 (December 31, 2005 - TRY 844,300). As of December 31, 2006, securities at custody include investment funds with market value of TRY 718,070. (December 31, 2005 - TRY 1,200,610)

The Group also manages sixteen 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, 2006, in line with the requirements of IGM, letters of guarantee amounting to USD 1,410,000 (December 31, 2005 - USD 1,892,000) had been obtained from local banks and were provided to IGM for transactions conducted in that market.

As of December 31, 2006, according to the general requirements of the ISE, letters of guarantee amounting to TRY 4,429 and USD 12,500,000 (December 31, 2005 - TRY 4,089 and USD 16,790,000) had been obtained from various local banks and were provided to ISE for bond and stock market transactions. Also, as of December 31, 2006 according to the general requirements, letters of guarantee amounting to TRY 1,213 (December 31, 2005 - TRY 1,213), were given to the Capital Markets Board.

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.

28. 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 this matter reflecting the disciplined and prudent risk management culture of the Group. The Group Risk Management supervises the risk management process of the Group.

The mission of Group Risk Management function is 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.

The Group Risk Management reports to the Board of Directors through the Audit Committee and is responsible for identifying, measuring, monitoring and reporting Market, Credit and Operational Risk. Market Risk includes interest rate, foreign exchange and price risk. These risks are continually monitored and controlled according to the policies and limits set by the Board of Directors by using tools and software for monitoring and controlling.

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.

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

Credit Risk

Credit risk is the risk that one party to a contract will fail to discharge an obligation and cause the other party to incur a financial loss. It arises primarily from lending, trade finance, treasury and leasing activities but may arise in other circumstances.

A system of delegated lending limits is established with ultimate authority being vested in the Board through the Credit Committees of the operating companies.

Account officers visit customers, collect and review financial information and business plans. If the Branch Credit Committee decides to proceed, a credit proposal is submitted to the related Credit Allocation Division/Regional Departments. The Credit Allocation Departments apply number of standard financial ratios and tests to the relevant company's audited financial statements if available and make other appropriate enquiries in conjunction with the Financial Analysis Department, including taking references from other banks, obtaining information about owners, shareholders and/or senior managers and analyzing the customer's business sector. A report is then prepared on the potential customer by the Credit Allocation Departments for submission to the Credit Committee, setting out their assessment of the customer's credit worthiness.

The 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 corporates and also the guarantees. This system aids in making decisions of allocating credit limits and accepted guarantees. Counterparty limits are monitored daily 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 monitored. The credibility of the debtors of the Group is also assessed periodically in accordance with the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves."

In order to control the exposure to different industries, 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.

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 daily.

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 portfolios and controlling all credit risks.

There is a separate department responsible for recoveries in the Bank. The Credit Monitoring and Legal Action Department consists of two sections, Credit Monitoring and Legal Action Units. The department is responsible for all loans, personal and corporate, and reports directly to the General Manager, while providing reporting for the Credit Committee.

After issuing a loan, Credit Monitoring Unit 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 Bank to measure and identify possible problematic loans at an early stage. The monitoring division prepares at least monthly a review of the loan servicing history and gives 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 correlation of the counterpart; the Credit Monitoring and Legal Action Department calculates the amount of risk capital required to cover expected losses and risk for each loan.

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. 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. In addition a portfolio based assessment is also made 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 Bank 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).

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

Sectoral breakdown of cash and non-cash loans is as follows:

	December 31, 2006	
	Cash	Non-cash
Finance	511,044	208,445
Food	588,528	262,081
Private individuals	767,072	10
Transportation	347,581	101,635
Chemical	237,875	144,823
Wholesaler	327,149	173,300
Automotive	234,292	97,442
Construction & public works	273,747	416,254
Equipment materials	153,239	82,792
Technology	97,828	77,259
Energy	54,834	67,468
Others (*)	2,114,061	1,039,808
Total loans	**5,707,250**	**2,671,317**
Interest accruals	46,685	-
Receivables in arrears	44,792	-
Provision for impairment	(48,894)	-
Total	**5,749,833**	**2,671,317**

(*) Ores and materials, manufacturing, business services and retail sectors are included in others line.

	December 31, 2005	
	Cash	Non-cash
Finance	438,354	209,538
Transportation	400,389	-
Food	338,721	171,801
Chemical	224,462	76,796
Wholesaler	177,014	111,617
Private individuals	153,642	107,380
Equipment materials	134,377	67,584
Construction & public works	72,928	60,594
Mining	69,468	71,859
Energy	41,296	47,781
Technology	1,697	-
Others (*)	1,399,772	977,192
Total loans	**3,452,120**	**1,902,142**
Interest accruals	28,812	-
Receivables in arrears	33,679	-
Provision for impairment	(32,940)	-
Total	**3,481,671**	**1,902,142**

(*) Ores and materials, manufacturing, business services and retail sectors are included in others line.

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 inflows to fulfill the cash outflows 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 regards to funding 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.

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

Asset Liability Management (ALM) has the responsibility for obtaining finance on money markets and financial markets for the Bank from short to medium and long term financing and also provide finance to core business lines at the Bank 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.

Main source of funding to cover the liquidity need is 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 Bank is generally a net lender in interbank money markets.

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.

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

	Up to 1 Month	1 to 3 Months	3 months to 1 year	Over 1 year	Unallocated	Total
As at December 31, 2006						
Assets:						
Cash and balances with central banks	419,909	-	-	-	-	419,909
Deposits with banks and other financial institutions and other money market placements	1,039,478	1	3,290	-	-	1,042,769
Reserve deposits at central banks	568,168	-	-	-	-	568,168
Financial assets at fair value through profit and loss (*)	2,910	7,247	2,565	76,872	-	89,594
Investment securities (*)	297	1,906	115,139	1,449,057	562	1,566,961
Loans, advances and factoring receivables	2,508,972	776,285	1,412,641	1,328,141	17,115	6,043,154
Minimum lease payments receivable	18,770	27,756	107,127	166,821	3,012	323,486
Derivative financial instruments	6,696	4,882	3,591	7,111	-	22,280
Premises and equipment	-	-	-	-	97,194	97,194
Intangible assets	-	-	-	-	7,881	7,881
Investment in associates	-	-	-	-	-	-
Deferred tax asset	-	-	-	18,259	-	18,259
Other assets	22,573	7,884	906	116	18,691	50,170
Total assets	**4,587,773**	**825,961**	**1,645,259**	**3,046,377**	**144,455**	**10,249,825**
Liabilities:						
Deposits from other banks, customers' deposits, Funds borrowed and other money market deposits	6,952,053	839,899	819,161	634,032	-	9,245,145
Factoring payables	87,002	17,086	6,984	-	-	111,072
Derivative financial instruments	17,020	10,013	16,396	25,692	-	69,121
Other liabilities and provisions	132,484	4,196	7,494	267	28,503	172,944
Income taxes payable	-	-	19,702	-	-	19,702
Deferred tax liability	-	-	-	-	-	-
Total liabilities	**7,188,559**	**871,194**	**869,737**	**659,991**	**28,503**	**9,617,984**
Net liquidity gap	**(2,600,786)**	**(45,233)**	**775,522**	**2,386,386**	**115,952**	**631,841**
As at December 31, 2005						
Total assets	2,782,272	724,426	1,443,350	1,843,505	114,152	6,907,705
Total liabilities	4,394,798	872,890	661,613	444,445	25,388	6,399,134
Net liquidity gap	**(1,612,526)**	**(148,464)**	**781,737**	**1,399,060**	**88,764**	**508,571**

(*) Loaned securities are shown in related securities portfolios.

Market Risk

The Group takes on exposure to market risks. 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.

The Board of Directors evaluates the risks that can be exposed to and determines limits accordingly. Those limits are revised periodically in line with the strategies of the Group. The Group Risk Management calculates and follows the VaR amount of portfolios as well as nominal stop loss and position limits set for each product.

Market risk is calculated for TEB using variance/covariance method with using one year observation period (250 work days), 0.99 confidence interval and one day holding period. Regular stress tests and scenario analysis are applied to portfolios.

All trading positions are marked to market on a daily basis in compliance with regulatory requirements determined by BRSA, CMB and other authorities. Only securities held to maturity are valued at amortized cost using Internal Rate of Return (IRR).

The Board of Directors ensures that the Group Risk Management has taken necessary precautions to identify, evaluate, control and manage risks faced.

Currency Risk

The Group takes on exposure to 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 movements in the market.

The Board of Directors sets limits for the positions, which are followed up daily. Also any possible changes in positions are 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.

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

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

	New Turkish Lira	Euro	US Dollars	Other	Total
As at December 31, 2006					
Assets:					
Cash and balances with and reserve deposits at central banks	251,974	296,165	434,566	5,372	988,077
Deposits with banks and other financial in stitutions and other money market placements	5,622	194,183	816,590	26,374	1,042,769
Financial assets at fair value through profit and loss (*)	84,203	255	5,136	-	89,594
Investment securities (*)	1,291,650	541	274,770	-	1,566,961
Loans and advances, factoring and minimum lease payments receivable and other assets	3,345,850	1,401,709	1,521,915	147,336	6,416,810
Derivative financial instruments	17,683	6	4,244	347	22,280
Investment in associates	-	-	-	-	-
Premises and equipment	89,831	7,363	-	-	97,194
Intangible assets	7,700	181	-	-	7,881
Deferred tax asset	18,259	-	-	-	18,259
Total assets	**5,112,772**	**1,900,403**	**3,057,221**	**179,429**	**10,249,825**
Liabilities:					
Deposits from other banks, funds borrowed (except subordinated debt) and other money market deposits	1,223,162	737,000	392,802	57,188	2,410,152
Customers' deposits	2,446,884	873,067	3,131,285	86,267	6,537,503
Subordinated debt	-	205,337	92,153	-	297,490
Factoring payables	67,213	27,930	7,906	8,023	111,072
Derivative financial instruments	67,381	8	1,624	108	69,121
Other liabilities and provisions	144,382	21,628	5,927	1,007	172,944
Income taxes payable	19,702	-	-	-	19,702
Deferred tax liability	-	-	-	-	-
Total liabilities	**3,968,724**	**1,864,970**	**3,631,697**	**152,593**	**9,617,984**
Net balance sheet position	**1,144,048**	**35,433**	**(574,476)**	**26,836**	**631,841**
Off-balance sheet position					
Net notional amount of derivatives	(586,941)	28,567	553,954	(26,369)	(30,789)
Non-cash loans (**)	870,029	614,057	1,110,693	76,538	2,671,317
At December 31, 2005					
Total assets	3,243,140	1,037,053	2,530,097	97,415	6,907,705
Total liabilities	2,437,267	1,053,894	2,789,441	118,532	6,399,134
Net balance sheet position	**805,873**	**(16,841)**	**(259,344)**	**(21,117)**	**508,571**
Off-balance sheet position					
Net notional amount of derivatives	(317,811)	59,815	216,285	18,122	(23,589)
Non-cash loans (**)	606,990	419,270	828,502	47,380	1,902,142

(*) Loaned securities are shown in related securities portfolios.
(**) There are no effects on the net off balance sheet position.

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

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 change in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of change in market interest rates. The Group takes on exposure to 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 Asset-Liability Committee of the Bank is responsible to manage interest rate risk at the bank. The Group Risk Management calculates and monitors the interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk by using the standard method in the calculation of overall market risk.

The first priority of the Group's risk management 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 and the Audit Committee. Maturities of outstanding assets are based on the contractual characteristics of the transactions.

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	Unallocated	Total
As at December 31, 2006						
Assets:						
Cash and balances with central banks	100,073	-	-	-	319,836	419,909
Deposits with banks and other financial in stitutions and other money market placements	1,039,478	1	3,290	-	-	1,042,769
Reserve deposits at central banks	568,168	-	-	-	-	568,168
Financial assets at fair value through profit and loss(*)	38,353	8,727	7,556	32,636	2,322	89,594
Investment securities (*)	296,339	666,699	160,415	442,945	563	1,566,961
Loans, advances and factoring receivables	3,071,697	624,419	1,066,048	1,263,875	17,115	6,043,154
Minimum lease payments receivable	18,771	27,756	107,127	166,821	3,011	323,486
Derivative financial instruments	-	-	-	-	22,280	22,280
Premises and equipment	-	-	-	-	97,194	97,194
Intangible assets	-	-	-	-	7,881	7,881
Investment in associates	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	18,259	18,259
Other assets	2,058	7,884	906	116	39,206	50,170
Total Assets	**5,134,937**	**1,335,486**	**1,345,342**	**1,906,393**	**527,667**	**10,249,825**

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

	Up to 1 Month	1 to 3 Months	3 months to 1 year	Over 1 year	Unallocated	Total
Liabilities:						
Deposits from other banks, customers' deposits, funds borrowed and other money market deposits	7,150,690	936,906	1,011,695	145,854	-	9,245,145
Factoring payables	87,002	17,086	6,984	-	-	111,072
Derivative financial instruments	-	-	-	-	69,121	69,121
Other liabilities and provisions	-	-	-	-	172,944	172,944
Income taxes payable	-	-	-	-	19,702	19,702
Total liabilities	**7,237,692**	**953,992**	**1,018,679**	**145,854**	**261,767**	**9,617,984**
Balance sheet interest sensitivity gap	**(2,102,755)**	**381,494**	**326,663**	**1,760,539**	**265,900**	**631,841**
As at December 31, 2005						
Total assets	2,725,654	1,396,364	1,319,814	1,223,007	242,866	6,907,705
Total liabilities	4,746,803	673,697	740,609	66,985	171,040	6,399,134
Net interest sensitivity gap	**(2,021,149)**	**722,667**	**579,205**	**1,156,022**	**71,826**	**508,571**

(*) Loaned securities are shown in related securities portfolios.

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% if banks operates 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, 2006, its capital adequacy ratio on an unconsolidated basis is 14.27% (December 31, 2005 – 12.33%)

Operational Risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal process, people and systems or 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 and disaster recovery, and also incident management are the main subjects of the operational risk mitigation controls.

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

29. 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, 2006	December 31, 2005	December 31, 2006	December 31, 2005
Financial assets				
Loans and advances	5,749,833	3,481,671	5,623,037	3,481,671
Investment securities held-to-maturity	11,057	11,809	11,627	11,809
Minimum lease payments receivable	323,486	211,556	327,334	211,556
Financial liabilities				
Deposits from other banks and funds borrowed	1,936,638	1,210,894	1,930,549	1,311,205
Customers' deposits	6,537,503	4,201,181	6,528,201	4,265,939
Other money market deposits	771,004	755,092	771,004	755,092

Loans and Advances

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances 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.

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.

30. SUBSEQUENT EVENTS

None.

Appendix 4

Changes in the Articles of Association

OLD VERSION

Authorized Capital

Article 5 - The company adopts the authorized capital system in accordance with the Capital Markets Law No: 2499 and the permission of the Capital Markets Board numbered 53/704, dated 10 June 1999.

The company's authorized capital is One Hundred Trillion Turkish Liras, divided into Two Hundred Billion registered shares each with a nominal value of TL 500 (Five Hundred Turkish Liras).

Issued capital, which has been fully paid, is Twenty Four Trillion Five Hundred Billion Turkish Liras, divided into Forty Nine Billion registered shares each with a nominal value of TL 500 (Five Hundred Turkish Liras).

Out of this issued capital of Twenty Four Trillion Five Hundred Billion Turkish Liras, TL 21,448,777,431,751 has been paid entirely in cash and the remaining YTL 3,051,222,568,249 has been financed with extraordinary reserves and other funds established in accordance with the Tax Procedure Law and the Corporate Tax Law, and shareholders have been issued bonus shares with regard to this part of the capital, in proportion to their share in the capital prior to the increase.

At any time deemed necessary and in accordance with the relevant provisions of the Capital Markets Law and other applicable legislation, the Board of Directors shall be authorized to increase issued capital through successive issues of registered share certificates up to authorized capital.

NEW VERSION

Authorized Capital

Article 5 - The company adopts the authorized capital system in accordance with the Capital Markets Law No: 2499 and the permission of the Capital Markets Board numbered 53/704, dated 10 June 1999.

The company's authorized capital is YTL 100,000,000 (One Hundred Million New Turkish Liras), divided into 100,000,000 (One Hundred Million) registered shares each with a nominal value of YTL 1 (One New Turkish Lira).

Issued capital, which has been fully paid, is YTL 57,800,000 (Fifty Seven Million Eight Hundred Thousand New Turkish Liras), divided into 57,800,000 (Fifty Seven Million Eight Hundred Thousand) registered shares each with a nominal value of YTL 1 (One New Turkish Lira).

The nominal value of each share certificate, which was TL 500 (Five Hundred Turkish Liras), has been converted to YTL 1 (One New Turkish Lira) in accordance with Law No: 5274 amending the Turkish Commercial Code. Total number of shares has fallen due to this conversion, and 57,800,000 (Fifty Seven Million Eight Hundred Thousand) shares each with a value of YTL 1 (One New Turkish Lira) shall be issued to replace 115,600,000,000 (One Hundred Fifteen Billion Six Hundred Million) shares each with a value of TL 500 (Five Hundred Turkish Liras). In this conversion, shareholders' rights related to their shares shall be reserved. Shares representing the capital shall be tracked on record in accordance with dematerialization principles.

At any time deemed necessary and in accordance with the relevant provisions of the Capital Markets Law and other applicable legislation, the Board of Directors shall be authorized to increase issued capital by issuing registered share certificates up to authorized capital.

The Board of Directors shall be authorized to issue share certificates in coupons and issues that jointly represent a certain amount of shares and to divide or combine existing coupons, in conformity with capital markets legislation and without changing the nominal values of shares.

The Board of Directors shall be authorized to issue share certificates above their nominal value, and to restrict or fully remove shareholders' rights of option on newly-issued shares, and to offer newly-issued shares directly to the public.

At the time of the incorporation of the company, founders' shares equal to 7% of the capital stock have been allocated to the founders who have signed these Articles of Association and have subscribed and paid the original capital, as stipulated in Article 298 of the Turkish Commercial Code, and accordingly, 125 registered and bonus founders' shares have been issued. No other founder's shares shall be issued.

Founders' shares shall entitle their holders to the dividends specified in these Articles of Association, and in case of the liquidation of the company, to a share of the liquidation proceeds to be determined by the General Assembly approving the liquidation.

The company shall be obliged to issue its share certificates against cash payment, as registered shares, and to have them quoted on the stock exchange.

The Board of Directors shall be authorized to issue share certificates above their nominal value, and to restrict or fully remove shareholders' rights of option on newly-issued shares, and to offer newly-issued shares directly to the public.

At the time of the incorporation of the company, founders' shares equal to 7% of the capital stock have been allocated to the founders who have signed these Articles of Association and have subscribed and paid the original capital, as stipulated in Article 298 of the Turkish Commercial Code, and accordingly, 125 registered and bonus founders' shares have been issued. No other founder's shares shall be issued.

Founders' shares shall entitle their holders to the dividends specified in these Articles of Association, and in case of the liquidation of the company, to a share of the liquidation proceeds to be determined by the General Assembly approving the liquidation.

The company shall be obliged to issue its share certificates against cash payment, as registered shares, and to have them quoted on the stock exchange.

Changes in the Articles of Association

Increases in Authorized Capital

Article 14 - The General Meeting of Shareholders shall be authorized to increase the company's authorized capital.

Procedures pertaining to increasing authorized capital, which by their nature require an amendment to these Articles of Association, shall be carried out in accordance with the provisions of the Turkish Commercial Code, the Capital Markets Law, the Banking Law and other applicable legislation, upon the prior consent and permission of the Capital Markets Board and the Ministry of Industry and Commerce.

The Board of Directors shall be authorized to increase issued capital through successive issues up to the authorized capital, in accordance with the relevant provisions of the Capital Markets Law and other applicable legislation.

In capital increases, bonus shares shall be allocated and distributed to the holders of shares existing on the date of increase.

Duties and Authorities of the Board of Directors and Representation of the Company

Article 26 - The Board of Directors shall be responsible for the administration of the Company and the performance of transactions on behalf of the company, and shall be authorized to represent and bind the company.

a) The Board of Directors shall perform the duties specified in the Turkish Commercial Code, these Articles of Association, the provisions of applicable laws and regulations, and decisions adopted by the company's General Meeting of Shareholders. The Board of Directors shall be authorized to take decisions on all matters that do not require a resolution by the General Meeting of Shareholders and are not included among the authorities of the Credit Committee, the General Manager or the Company Manager.

Increases in Authorized Capital

Article 14 - The General Meeting of Shareholders shall be authorized to increase the company's authorized capital.

Procedures pertaining to increasing authorized capital, which by their nature require an amendment to these Articles of Association, shall be carried out in accordance with the provisions of the Turkish Commercial Code, the Capital Markets Law, the Banking Law and other applicable legislation, upon the prior consent and permission of the Capital Markets Board and the Ministry of Industry and Commerce.

The Board of Directors shall be authorized to increase issued capital up to the authorized capital, in accordance with the relevant provisions of the Capital Markets Law and other applicable legislation.

In capital increases, bonus shares shall be allocated and distributed to the holders of shares existing on the date of increase.

Duties and Authorities of the Board of Directors and Representation of the Company

Article 26 - The Board of Directors shall be responsible for the administration of the Company and the performance of transactions on behalf of the company, and shall be authorized to represent and bind the company.

a) The Board of Directors shall perform the duties specified in the Turkish Commercial Code, these Articles of Association, the provisions of applicable laws and regulations, and decisions adopted by the company's General Meeting of Shareholders. The Board of Directors shall be authorized to take decisions on all matters that do not require a resolution by the General Meeting of Shareholders and are not included among the authorities of the Credit Committee, the General Manager or the Company Manager.

b) The Board of Directors shall have absolute authority over the disposition and administration of the movable and immovable assets of the company and over the conduct of all types of contracts and transactions related to the company's business. Authorities of the Board of Directors shall include the power to make settlements, waive receivables, write off debts, and appoint arbitrators.

c) The Board of Directors shall supervise the activities of the Credit Committee. Every Board Member shall have the authority to request from the Credit Committee any information concerning its activities and to perform any controls it deems fit.

d) The Board of Directors may create funds as deemed necessary to ensure the regular conduct of the company's internal affairs, to regulate the duties and work of its personnel, and to determine retirement and other rights, and may also issue by-laws, regulations and conclude agreements whose terms may exceed its own term of office.

e) The Board of Directors may borrow on its own credit or by establishing mortgages on the movable assets of the company, and may purchase real estate within the limits permitted by the Banking Law for purposes related to its objectives and fields of business, and also sell the same and have the same built, and may pledge the company's immovable assets and borrow by issuing bonds.

f) The Board of Directors shall determine the conditions under which extraordinary rewards and bonuses are to be given to managers, employees and servicemen in return for various services or extraordinary achievement, and shall distribute such bonuses. The above conditions are to be included in the company's overhead.

b) The Board of Directors shall have absolute authority over the disposition and administration of the movable and immovable assets of the company and over the conduct of all types of contracts and transactions related to the company's business. Authorities of the Board of Directors shall include the power to make settlements, waive receivables, write off debts, and appoint arbitrators.

c) The Board of Directors shall supervise the activities of the Credit Committee. Every Board Member shall have the authority to request from the Credit Committee any information concerning its activities and to perform any controls it deems fit.

d) The Board of Directors may create funds as deemed necessary to ensure the regular conduct of the company's internal affairs, to regulate the duties and work of its personnel, and to determine retirement and other rights, and may also issue by-laws, regulations and conclude agreements whose terms may exceed its own term of office.

e) The Board of Directors may borrow on its own credit or by establishing mortgages on the movable assets of the company, and may purchase real estate within the limits permitted by the Banking Law for purposes related to its objectives and fields of business, and also sell the same and have the same built, and may pledge the company's immovable assets and borrow by issuing bonds.

f) The Board of Directors shall determine the conditions under which extraordinary rewards and bonuses are to be given to managers, employees and servicemen in return for various services or extraordinary achievement, and shall distribute such bonuses. The above conditions are to be included in the company's overhead.

Changes in the Articles of Association

g) The Board of Directors shall determine and set aside amounts for amortization, provisions and legal reserves in accordance with applicable legislation, and shall determine the manner in which dividends shall be distributed in accordance with the provisions of these Articles of Association and make proposals to the General Meeting of Shareholders.

h) If it deems necessary, the Board of Directors shall have the company's books audited by independent auditors and receive their reports.

i) The Board of Directors shall make proposals to the General Meeting of Shareholders concerning any amendments or additions to these Articles of Association.

j) The Board of Directors shall invite the General Meeting of Shareholders to a meeting as specified in these Articles of Association, decide the agenda for such meetings, complete such formalities as may be required, and implement the decisions of the General Meeting of Shareholders.

k) The Board of Directors shall grant Company Managers as well as employees all powers of representation and signature required for the administration of the company's business. The powers so granted and the places and manner in which they are to be exercised shall be registered with the Commercial Registry and duly published.

In order for documents and certificates written and issued on behalf of the company and any agreements and contracts entered into on behalf of the company to be valid and binding on the company, they must be signed by those persons whose degree, place, and form of signature authority have been specified by the Board of Directors, and such signatures must be placed under the legal title of the company.

g) The Board of Directors shall determine and set aside amounts for amortization, provisions and legal reserves in accordance with applicable legislation, and shall determine the manner in which dividends shall be distributed in accordance with the provisions of these Articles of Association and make proposals to the General Meeting of Shareholders.

h) If it deems necessary, the Board of Directors shall have the company's books audited by independent auditors and receive their reports.

i) The Board of Directors shall make proposals to the General Meeting of Shareholders concerning any amendments or additions to these Articles of Association.

j) The Board of Directors shall invite the General Meeting of Shareholders to a meeting as specified in these Articles of Association, decide the agenda for such meetings, complete such formalities as may be required, and implement the decisions of the General Meeting of Shareholders.

k) The Board of Directors shall grant Company Managers as well as employees all powers of representation and signature required for the administration of the company's business. The powers so granted and the places and manner in which they are to be exercised shall be registered with the Commercial Registry and duly published.

In order for documents and certificates written and issued on behalf of the company and any agreements and contracts entered into on behalf of the company to be valid and binding on the company, they must be signed by those persons whose degree, place, and form of signature authority have been specified by the Board of Directors, and such signatures must be placed under the legal title of the company.

l) At meetings of the Board of Directors, members shall be entitled to request persons representing the company and charged with the performance of the company's business to provide information concerning the progress of the company's affairs and transactions.

The Board of Directors may also decide that all books and files be submitted to it. Every member may make a written request to the chairman for a meeting of the Board, and in such cases, the chairman shall call the Board of Directors to a meeting.

m) Each member of the Board of Directors shall be obliged to show, while performing company business, the same prudence and activity that he/she would show in his/her own affairs and that is customary in business. The Board of Directors shall be authorized to act on behalf of the General Meeting of Shareholders in connection with the implementation of the decisions of the General Meeting. Dismissal of members of the Board of Directors by the General Meeting and the General Meeting's rejecting the actions of the Board shall not prejudice any vested rights of third parties.

n) In accordance with the relevant provisions of the Capital Markets Law and other applicable legislation, the Board of Directors shall be authorized to increase capital, which had been issued through successive issues, up to the authorized capital, and to issue share certificates above their nominal value, fully or partially restrict the pre-emptive rights of shareholders on newly-issued shares, and issue bonds and other securities.

o) The Board of Directors may perform its above duties and execute its above powers either directly or may delegate the same to committees formed or to be formed in accordance with these Articles of Association or to persons permitted by the following article on the delegation of authority.

l) At meetings of the Board of Directors, members shall be entitled to request persons representing the company and charged with the performance of the company's business to provide information concerning the progress of the company's affairs and transactions.

The Board of Directors may also decide that all books and files be submitted to it. Every member may make a written request to the chairman for a meeting of the Board, and in such cases, the chairman shall call the Board of Directors to a meeting.

m) Each member of the Board of Directors shall be obliged to show, while performing company business, the same prudence and activity that he/she would show in his/her own affairs and that is customary in business. The Board of Directors shall be authorized to act on behalf of the General Meeting of Shareholders in connection with the implementation of the decisions of the General Meeting. Dismissal of members of the Board of Directors by the General Meeting and the General Meeting's rejecting the actions of the Board shall not prejudice any vested rights of third parties.

n) In accordance with the relevant provisions of the Capital Markets Law and other applicable legislation, the Board of Directors shall be authorized to increase capital up to the authorized capital, and to issue share certificates above their nominal value, fully or partially restrict the pre-emptive rights of shareholders on newly-issued shares, and issue bonds and other securities.

o) The Board of Directors may perform its above duties and execute its above powers either directly or may delegate the same to committees formed or to be formed in accordance with these Articles of Association or to persons permitted by the following article on the delegation of authority.

Appendix 5

Proposal for Dividend Distribution

Proposal for Dividend Distribution

No dividends will be distributed.

In accordance with articles 52(a) and 52(b) of the Bank's Articles of Association, we propose that the YTL 105,698,728.22 income for 2006 be allocated as follows:

Allocation of the Profit

1st Allocation: (Articles of Association, Art. 52-A)		5,284,936.41
1. 5% legal reserve (TCC, Art. 466/1)	5,284,936.41	
2. Primary dividend equal to 5% of paid-in capital	0.00	
2nd Allocation: (Articles of Association, Art. 52-B)		100,413,791.81
1. To holders of founder shares:	0.00	
10% legal reserve (TCC, Art. 466/2)	0.00	
Balance	0.00	
2. No allocation in this item.		
3. No allocation in this item.		
4. To shareholders as a dividend:	0.00	
10% legal reserve (TCC, Art. 466/2)	0.00	
Balance	0.00	
5. Contingency reserves: in accordance with TCC, Art. 467	100,413,791.81	

Directory

ADANA
Main
Tel : (322) 363 17 74
Fax : (322) 363 13 41

Atatürk Caddesi
Tel : (322) 457 80 28
Fax : (322) 459 00 63

Barkal
Tel : (322) 432 62 00
Fax : (322) 432 62 69

Büyük Toptancılar Çarşısı
Tel : (322) 346 44 02
Fax : (322) 346 44 07

Çukurova
Tel : (322) 457 14 12
Fax : (322) 457 14 62

Yüreğir
Tel : (322) 322 36 00
Fax : (322) 322 55 50

Saydam Caddesi
Tel : (322) 359 72 07
Fax : (322) 359 38 95

AFYON
Main
Tel : (272) 214 34 00
Fax : (272) 213 43 00

ANKARA
Main
Tel : (312) 468 11 32
Fax : (312) 467 01 49

4. Kolordu
Tel : (312) 351 10 33
Fax : (312) 351 10 28

Balgat
Tel : (312) 285 35 00
Fax : (312) 287 14 54

Gaziosmanpaşa
Tel : (312) 447 74 40
Fax : (312) 447 74 02

Gimat
Tel : (312) 397 23 53
Fax : (312) 397 26 44

İvedik
Tel : (312) 395 46 60
Fax : (312) 395 60 76

Kızılay
Tel : (312) 419 72 00
Fax : (312) 419 82 58

Meşrutiyet Caddesi
Tel : (312) 425 63 00
Fax : (312) 425 77 07

Necatibey
Tel : (312) 229 01 00
Fax : (312) 229 01 04

Orta Anadolu (Corporate)
Tel : (312) 468 67 00
Fax : (312) 468 86 00

Ostim
Tel : (312) 385 85 91
Fax : (312) 385 66 30

Sincan
Tel : (312) 269 37 87
Fax : (312) 271 40 53

Sincan OSB
Tel : (312) 267 56 36
Fax : (312) 267 56 42

Siteler
Tel : (312) 351 08 38
Fax : (312) 351 29 09

Şaşmaz
Tel : (312) 278 30 00
Fax : (312) 278 28 94

Ulus
Tel : (312) 309 03 08
Fax : (312) 309 03 26

Ümitköy
Tel : (312) 236 35 30
Fax : (312) 236 36 38

Yıldız
Tel : (312) 438 85 00
Fax : (312) 438 70 91

ANTALYA
Main
Tel : (242) 248 48 01
Fax : (242) 248 06 69

Alanya
Tel : (242) 511 05 14
Fax : (242) 511 05 24

Alanya Mahmutlar
Tel : (242) 528 74 70
Fax : (242) 528 74 68

Çallı
Tel : (242) 344 61 56
Fax : (242) 345 21 56

Kemer
Tel : (242) 814 75 25
Fax : (242) 814 75 24

Konyaaltı
Tel : (242) 247 81 84
Fax : (242) 248 66 41

Manavgat
Tel : (242) 743 29 80
Fax : (242) 743 29 88

Lara
Tel : (242) 312 11 51
Fax : (242) 312 11 52

Side
Tel : (242) 753 41 91
Fax : (242) 753 41 94

Üçkapılar
Tel : (242) 247 12 60
Fax : (242) 247 10 95

Yeni Sanayi
Tel : (242) 221 66 76
Fax : (242) 221 23 52

Yüzüncüyıl
Tel : (242) 243 83 10
Fax : (242) 243 96 41

Uncalı
Tel : (242) 229 73 31
Fax : (242) 229 73 42

AYDIN
Main
Tel : (256) 213 67 80
Fax : (256) 213 90 96

Didim
Tel : (256) 813 85 84
Fax : (256) 813 84 53

BALIKESİR
Main
Tel : (266) 244 01 30
Fax : (266) 245 00 97

Edremit
Tel : (266) 374 15 00
Fax : (266) 373 15 87

BOLU
Main
Tel : (374) 217 54 00
Fax : (374) 215 32 02

BURSA
Main
Tel : (224) 224 41 61
Fax : (224) 224 42 92

Beşevler Sanayi
Tel : (224) 443 40 44
Fax : (224) 443 40 66

Bursa Free Zone
Tel : (224) 524 86 20
Fax : (224) 524 86 23

Gazcılar
Tel : (224) 220 04 35
Fax : (224) 220 69 19

Garajlar
Tel : (224) 250 27 07
Fax : (224) 250 82 81

Heykel
Tel : (224) 223 76 46
Fax : (224) 223 73 07

İnegöl
Tel : (224) 713 73 79
Fax : (224) 713 76 19

Marmara (Corporate)
Tel : (224) 272 72 00
Fax : (224) 273 03 98

Nilüfer
Tel : (224) 249 96 01
Fax : (224) 245 79 80

Oto Sanayii Sitesi
Tel : (224) 346 05 05
Fax : (224) 341 58 59

ÇANAKKALE
Main
Tel : (286) 213 27 27
Fax : (286) 213 50 17

Biga
Tel : (286) 317 47 73
Fax : (286) 317 39 99

ÇORUM
Main
Tel : (364) 225 00 88
Fax : (364) 225 06 34

DENİZLİ
Main
Tel : (258) 241 28 01
Fax : (258) 241 28 10

Bayramyeri
Tel : (258) 264 94 64
Fax : (258) 264 85 45

Çınar
Tel : (258) 264 98 68
Fax : (258) 264 13 86

DİYARBAKIR
Main
Tel : (412) 229 27 27
Fax : (412) 229 27 28

EDİRNE
Main
Tel :(284) 214 93 23
Fax :(284) 214 93 31

ELAZIĞ
Main
Tel : (424) 212 83 00
Fax : (424) 212 66 17

ERZURUM
Main
Tel : (442) 235 55 92
Fax : (442) 235 55 31

ESKİŞEHİR
Main
Tel : (222) 220 24 24
Fax : (222) 234 24 24

Doktorlar Caddesi
Tel : (222) 220 10 63
Fax : (222) 220 71 39

Teksan
Tel : (222) 228 00 97
Fax : (222) 228 02 07

GAZİANTEP
Main
Tel : (342) 215 41 00
Fax : (342) 215 41 19

Güneydoğu Anadolu
Tel : (342) 322 05 80
Fax : (342) 322 05 89

Gatem
Tel : (342) 238 42 72
Fax : (342) 238 42 80

Nizip
Tel : (342) 517 58 00
Fax : (342) 517 59 45

Suburcu
Tel : (342) 232 01 60
Fax : (342) 230 27 64

GİRESUN
Main
Tel : (454) 216 01 61
Fax : (454) 216 00 58

HATAY
Main
Tel : (326) 225 28 80
Fax : (326) 225 28 87

İskenderun
Tel : (326) 614 19 19
Fax : (326) 613 22 25

ISPARTA
Main
Tel : (246) 233 07 70
Fax : (246) 232 71 02

İSTANBUL
Head Quarter
Tel : (212) 251 21 21
Fax : (212) 249 65 68

Main
Tel : (212) 252 67 67
Fax : (212) 249 63 10

Acıbadem
Tel : (216) 327 55 65
Fax : (216) 339 46 38

AHL Free Zone
Tel : (212) 465 04 41
Fax : (212) 465 04 38

Aksaray
Tel : (212) 632 68 78
Fax : (212) 632 69 68

Altıntepe
Tel : (216) 417 06 61
Fax : (216) 417 98 01

Altıyol
Tel : (216) 414 85 84
Fax : (216) 414 60 86

Altunizade
Tel : (216) 474 35 63
Fax : (216) 474 10 52

Directory

Ataköy
Tel : (212) 560 46 86
Fax : (212) 560 43 24

Avcılar
Tel : (212) 690 21 90
Fax : (212) 690 22 10

Avcılar Borusan
Tel : (212) 412 02 48

Bağcılar
Tel : (212) 433 19 33
Fax : (212) 433 19 83

Bahçelievler
Tel : (212) 556 39 29
Fax : (212) 556 47 38

Bahçeşehir
Tel : (212) 669 23 00
Fax : (212) 669 23 11

Bakırköy
Tel : (212) 543 51 07
Fax : (212) 660 78 20

Bankalar Caddesi
Tel : (212) 293 22 42
Fax : (212) 293 22 92

Bayrampaşa
Tel : (212) 565 28 50
Fax : (212) 565 33 36

Bebek
Tel : (212) 287 79 31
Fax : (212) 287 79 39

Beşiktaş
Tel : (212) 227 70 65
Fax : (212) 236 09 94

Beşyüzevler
Tel : (212) 477 57 57
Fax : (212) 477 57 65

Beyazıt
Tel : (212) 526 28 38
Fax : (212) 526 28 36

Beylikdüzü
Tel : (212) 875 64 60
Fax : (212) 876 47 44

Büyükçekmece
Tel : (212) 881 11 15
Fax : (212) 881 10 95

Caddebostan
Tel : (216) 359 47 06
Fax : (216) 359 47 16

Cihangir
Tel : (212) 244 03 23
Fax : (212) 244 11 03

Çağlayan
Tel : (212) 296 61 62
Fax : (212) 296 57 45

Çekmeköy
Tel : (216) 420 62 00
Fax : (216) 420 55 43

Çiftehavuzlar
Tel : (216) 467 51 11
Fax : (216) 467 51 61

Davutpaşa
Tel : (212) 501 82 14
Fax : (212) 612 23 28

Demirciler Sitesi
Tel : (212) 665 26 76
Fax : (212) 665 56 79

Des Sanayi
Tel : (216) 466 43 33
Fax : (216) 466 43 32

Eminönü
Tel : (212) 514 11 51
Fax : (212) 511 27 15

Etiler
Tel : (212) 257 78 00
Fax : (212) 257 39 39

Florya
Tel : (212) 662 12 48
Fax : (212) 662 21 74

Gayrettepe
Tel : (212) 252 67 67
Fax : (212) 249 63 10

Gaziosmanpaşa
Tel : (212) 581 55 95
Fax : (212) 581 54 36

Göztepe
Tel : (216) 385 05 33
Fax : (216) 385 02 14

Gültepe
Tel : (212) 269 52 30
Fax : (212) 269 52 07

Güneşli
Tel : (212) 630 91 10
Fax : (212) 630 91 21

Güneşli (Tahsilat Veznesi)
Tel : (212) 515 52 46
Fax : (212) 515 52 46

Hadımköy
Tel : (212) 886 67 77
Fax : (212) 886 61 21

İçerenköy
Tel : (216) 469 59 35
Fax : (216) 572 19 03

İkitelli
Tel : (212) 549 17 05
Fax : (212) 549 16 43

İmes Sanayi Sitesi
Tel : (216) 527 12 01
Fax : (216) 527 12 10

İmsan
Tel : (212) 472 53 10
Fax : (212) 472 46 12

İncirli
Tel : (212) 543 66 36
Fax : (212) 543 74 24

İstoç
Tel : (212) 659 92 45
Fax : (212) 659 92 69

Kadıköy Rıhtım
Tel : (216) 550 87 27
Fax : (216) 550 80 16

Kalamış
Tel : (216) 302 29 49
Fax : (216) 302 21 65

Karaköy
Tel : (212) 245 33 35
Fax : (212) 245 33 39

Kartal Çarşı
Tel : (216) 517 17 67
Fax : (216) 517 17 76

Kavacık
Tel : (216) 680 30 24
Fax : (216) 680 30 42

Kazasker
Tel : (216) 380 88 40
Fax : (216) 380 88 60

Kozyatağı
Tel : (216) 355 07 37
Fax : (216) 355 07 40

Kozyatağı (Corporate)
Tel : (216) 445 08 38
Fax : (216) 445 08 37

Kurtköy
Tel : (216) 595 05 70
Fax : (216) 595 34 07

Kurtuluş
Tel : (212) 291 38 30
Fax : (212) 291 54 89

Kurtuluş
Tel : (212) 291 38 30
Fax : (212) 291 54 89

Kuyumcukent
Tel : (212) 603 13 63
Fax : (212) 603 13 74

Levent Çarşı
Tel : (212) 283 70 50
Fax : (212) 282 33 37

Levent Sanayi
Tel : (212) 325 90 98
Fax : (212) 325 91 94

Maçka
Tel : (212) 219 38 70
Fax : (212) 219 38 71

Maltepe
Tel : (216) 457 56 76
Fax : (216) 457 61 66

Maltepe Çarşı
Tel : (216)459 50 67
Fax : (216)459 69 60

Maslak
Tel : (212) 345 10 80
Fax : (212) 345 10 87

Mecidiyeköy
Tel : (212) 274 53 44
Fax : (212) 274 37 33

Mega Çarşı
Tel : (212) 437 35 85
Fax : (212) 437 34 31

Merter
Tel : (212) 637 21 10
Fax : (212) 637 21 09

Nuruosmaniye
Tel : (212) 512 29 29
Fax : (212) 527 69 75

Ortaklar Caddesi
Tel : (212) 288 38 00
Fax : (212) 288 38 02

Ortaköy
Tel : (212) 236 30 10
Fax : (212) 236 31 11

Osmanbey
Tel : (212) 234 12 16
Fax : (212) 231 64 67

Pendik E-5
Tel : (216) 379 93 93
Fax : (216) 598 10 50

Pendik
Tel : (216) 483 63 33
Fax : (216) 483 61 91

Perpa
Tel : (212) 222 12 40
Fax : (212) 320 88 94

Sarıyer
Tel : (212) 218 59 29
Fax : (212) 218 57 60

Sefaköy
Tel : (212) 599 34 24
Fax : (212) 599 03 13

Silivri
Tel : (212) 727 88 11
Fax : (212) 727 27 45

Suadiye
Tel : (216) 463 58 40
Fax : (216) 416 51 38

Sultanbeyli
Tel : (216) 419 46 16
Fax : (216) 419 15 65

Şirinevler
Tel : (212) 503 43 00
Fax : (212) 503 32 86

Taksim
Tel : (212) 361 60 00
Fax : (212) 361 60 10

Tahtakale
Tel : (212) 527 30 31
Fax : (212) 527 30 04

Topçular
Tel : (212) 493 47 24
Fax : (212) 493 47 25

Trakya (Corporate)
Tel : (212) 474 03 04
Fax : (212) 474 04 30

Tuzla Mermerciler
Tel : (216) 593 27 07
Fax : (216) 593 27 03

Tuzla
Tel : (216) 493 63 23
Fax : (216) 493 18 85

Tümsan Sanayi Sitesi
Tel : (212) 485 48 80
Fax : (212) 485 06 84

Ulus
Tel : (212) 269 52 80
Fax : (212) 269 52 60

Üsküdar
Tel : (216) 334 35 64
Fax : (216) 334 39 17

Ümraniye
Tel : (216) 461 60 71
Fax : (216) 461 60 78

Valikonağı
Tel : (212) 232 02 68
Fax : (212) 232 30 57

Yeşilköy
Tel : (212) 662 45 99
Fax : (212) 662 46 01

Zeytinburnu
Tel : (212) 679 20 75
Fax : (212) 679 20 80

Private Banking
Tel : (212) 257 72 15
Fax : (212) 257 69 55

İZMİR

Main
Tel : (232) 489 10 60
Fax : (232) 482 33 72

1.Sanayi
Tel : (232) 458 55 99
Fax : (232) 458 54 30

Aliağa
Tel : (232) 616 43 44
Fax : (232) 616 53 54

Alsancak
Tel : (232) 464 57 76
Fax : (232) 464 43 91

AOS/Çiğli
Tel : (232) 376 83 43
Fax : (232) 376 83 50

Balçova
Tel : (232) 278 98 19
Fax : (232) 259 90 23

Bornova
Tel : (232) 343 84 85
Fax : (232) 259 90 23

Bostanlı
Tel : (232) 330 66 63
Fax : (232) 330 28 14

Çankaya
Tel : (232) 445 85 40
Fax : (232) 445 21 83

Çarşı
Tel : (232) 469 73 10
Fax : (232) 469 73 19

Çeşme
Tel : (232) 712 23 93
Fax : (232) 712 07 87

Ege (Corporate)
Tel : (232) 483 55 55
Fax : (232) 445 10 38

Gaziemir
Tel : (232) 251 82 66
Fax : (232) 251 89 71

Göztepe
Tel : (232) 224 19 06
Fax : (232) 224 50 71

Gül Sokak
Tel : (232) 463 00 02
Fax : (232) 464 42 37

Işıkkent
Tel : (232) 436 47 70
Fax : (232) 436 47 73

Karabağlar
Tel : (232) 254 53 43
Fax : (232) 265 06 60

Karşıyaka
Tel : (232) 364 55 00
Fax : (232) 369 85 20
Kemalpaşa
Tel : (232) 877 06 60
Fax : (232) 877 06 61

Menemen
Tel : (232) 831 00 50
Fax : (232) 831 20 52

Ödemiş
Tel : (232) 545 30 60
Fax : (232) 545 22 30

KAHRAMANMARAŞ
Main
Tel : (344) 231 20 81
Fax : (344) 231 20 91

KAYSERİ
Main
Tel : (352) 222 11 23
Fax : (352) 232 30 18

Kayseri Sanayi
Tel : (352) 336 00 01
Fax : (352) 336 00 35

Sivas Caddesi
Tel : (352) 235 53 40
Fax : (352) 235 95 68

KASTAMONU
Main
Tel : (366) 214 06 67
Fax : (366) 214 07 90

Barutçuoğlu
Tel : (366) 214 09 88
Fax : (366) 214 13 92

KIRKLARELİ
Lüleburgaz
Tel : (288) 412 56 56
Fax : (288) 417 61 72

KOCAELİ
Main
Tel : (262) 322 36 00
Fax : (262) 322 36 04

Gebze
Tel : (262) 643 02 65
Fax : (262) 643 02 75

Gebze E5
Tel : (262) 643 88 60
Fax : (262) 643 48 15

Gölcük
Tel : (262) 414 71 51
Fax : (262) 414 71 06

Körfez (Corporate)
Tel : (262) 751 43 43
Fax : (262) 751 43 48

KONYA
Main
Tel : (332) 236 10 67
Fax : (332) 236 20 64

Büsan Sanayi
Tel : (332) 345 35 00
Fax : (332) 345 35 10

Ereğli
Tel : (332) 713 40 30
Fax : (332) 713 40 20

Zafer Sanayi
Tel : (332) 249 72 72
Fax : (332) 249 82 75

MALATYA
Main
Tel : (422) 325 42 62
Fax : (422) 325 48 07

İnönü Caddesi
Tel : (422) 323 01 10
Fax : (422) 325 66 44

MANİSA
Main
Tel : (236) 237 36 36
Fax : (236) 234 88 77

Manisa-Kes
Tel : (236) 233 31 36
Fax : (236) 233 29 95

Salihli
Tel : (236) 715 11 81
Fax : (236) 715 11 20

MERSİN
Main
Tel : (324) 238 68 40
Fax : (324) 238 68 53

Free Zone
Tel : (324) 238 83 47
Fax : (324) 238 83 51

Mezitli
Tel : (324) 357 58 63
Fax : (324) 358 33 61

Tarsus
Tel : (324) 614 76 16
Fax : (324) 614 76 18

MUĞLA
Main
Tel : (252) 212 13 06
Fax : (252) 214 64 57

Bodrum
Tel : (252) 317 22 02
Fax : (252) 317 24 41

Bodrum Çarşı
Tel : (252) 313 35 40
Fax : (252) 313 12 55

Bozburun
Tel : (252) 456 24 22
Fax : (252) 456 24 23

Fethiye
Tel : (252) 612 99 45
Fax : (252) 612 99 28

Fethiye İnönü Bulvarı
Tel : (252) 614 74 03
Fax : (252) 612 91 25

Marmaris
Tel : (252) 413 40 01
Fax : (252) 413 60 01

NİĞDE
Main
Tel : (388) 233 81 11
Fax : (388) 233 50 70

ORDU
Main
Tel : (452) 214 08 00
Fax : (452) 212 01 95

Fatsa
Tel : (452) 423 92 10
Fax : (452) 423 92 16

RİZE
Main
Tel : (464) 213 39 90
Fax : (454) 213 35 12

SAKARYA
Main
Tel : (264) 282 37 80
Fax : (264) 282 37 87

SAMSUN
Main
Tel : (362) 432 99 88
Fax : (362) 432 89 68

Çarşamba
Tel : (362) 832 27 67
Fax : (362) 832 20 15

Çiftlik
Tel : (362) 432 60 7
Fax : (362) 432 42 06

Sanayi
Tel : (362) 228 80 00
Fax : (362) 228 80 01

SİVAS
Main
Tel : (346) 222 16 06
Fax : (346) 222 16 79

ŞANLIURFA
Main
Tel : (414) 315 41 65
Fax : (414) 313 02 47
Viranşehir
Tel : (414) 511 99 19
Fax : (414) 511 98 58

TEKİRDAĞ
Main
Tel : (282) 260 67 68
Fax : (282) 260 57 30

Çorlu
Tel : (282) 650 30 10
Fax : (282) 650 19 48

TRABZON
Main
Tel : (462) 323 08 70
Fax : (462) 323 08 83

Akçaabat
Tel : (462) 228 14 11
Fax : (462) 228 14 57

Değirmendere
Tel : (462) 325 78 01
Fax : (462) 325 74 67

UŞAK
Main
Tel : (276) 224 51 64
Fax : (276) 212 37 72

VAN
Main
Tel : (432) 216 44 94
Fax : (432) 215 10 20

ZONGULDAK
Karadeniz Ereğli
Tel : (372) 322 52 08
Fax : (372) 322 52 16

KKTC
Gazimağusa
Tel : (392) 365 59 20
Fax : (392) 365 59 31

Girne
Tel : (392) 815 85 10
Fax : (392) 815 48 14

Lefkoşa
Tel : (392) 229 20 40
Fax : (392) 229 07 62

Financial Calendar

Announcement of financial results:

1st Quarter	: Within six weeks from March 31
2nd Quarter	: Within eight weeks from June 30
3rd Quarter	: Within six weeks from September 30
Year-end	: Within ten weeks from December 31

Annual Shareholders Assembly Meeting: No later than March 31

Information for Shareholders

ISE Ticker Symbol	: <TEBNK.IS>
GDR Ticker Symbol	: <TKKKYP(144A)
Reuters Code	: <TURAq.L> on SEAQ International on the London Stock Exchange
Bloomberg Code	: <TURA LI>

Enquiries

All enquiries, including shareholder enquiries and notifications concerning dividends, share certificates, Global Depository Receipts or transfers and address changes should be sent to: TEB Investor Relations Division at the following address:

TEB Investor Relations Division
Meclis-i Mebusan Caddesi No: 57
Fındıklı 34427 Istanbul Turkey
Tel: (90 212) 251 21 21
Fax: (90 212) 249 65 68
E-mail: investor.relations@teb.com.tr

Further information about TEB can be obtained on the Internet at www.teb.com.tr.

TÜRK EKONOMİ BANKASI
Meclis-i Mebusan Cad. 57 Fındıklı, 34427 Istanbul, Turkey
Tel: (90 212) 251 21 21
Fax: (90 212) 249 65 68
www.teb.com.tr