

**TÜRK EKONOMİ BANKASI
ANONİM ŞİRKETİ**

**CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2007**

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated financial statements of Türk Ekonomi Bankasi A.S. (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated balance sheet as at December 31, 2007 and the consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes .

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2007 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

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

Member of **DELOITTE TOUCHE TOHMATSU**

Istanbul, February 15, 2008

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TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2007

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

	Notes	December 31, 2007	December 31, 2006
ASSETS			
Cash and balances with central banks	4	1,961,157	988,077
Deposits with banks and other financial institutions	4	783,701	1,041,575
Other money market placements	4	204,609	1,194
Financial assets at fair value through profit and loss	5	199,550	84,729
Derivative financial instruments	17	45,032	22,280
Loans and advances	6	7,609,311	5,749,833
Factoring receivables	7	476,509	293,321
Minimum lease payments receivable	8	402,766	323,486
Investment securities:			
- Available-for-sale	5	627,437	699,145
- Held-to-maturity	5	7,739	11,057
Loaned securities	5	993,845	861,624
Investment in associates	9	-	-
Premises and equipment	10	187,080	97,194
Intangible assets	11	8,896	7,881
Deferred tax asset	16	57,222	18,259
Other assets	12	324,855	50,170
Total assets		13,889,709	10,249,825
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from other banks	13	521,039	188,200
Customers' deposits	13	7,663,141	6,537,503
Other money market deposits	13	909,337	771,004
Derivative financial instruments	17	262,515	69,121
Factoring payables	7	169,605	111,072
Funds borrowed:			
- Subordinated debt	14	384,123	297,490
- Other funds borrowed	14	2,384,204	1,450,948
Other liabilities	15	579,817	163,056
Provisions	15	14,254	9,888
Income taxes payable	16	11,387	19,702
Deferred tax liability	16	12	-
Total liabilities		12,899,434	9,617,984
EQUITY			
Equity attributable to equity holders of the parent		990,275	631,841
Share capital issued	18	755,000	76,500
Premium in Excess of Par		1,736	1,592
Adjustment to share capital	18	926	252,676
Unrealized gains/(losses) on available-for-sale investments, net of tax	19	2,398	(10,123)
Other reserves and retained earnings	19	230,215	311,196
Minority interest		-	-
Total equity		990,275	631,841
Total liabilities and equity		13,889,709	10,249,825

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED INCOME STATEMENT FOR THE YEAR FROM
JANUARY 1 TO DECEMBER 31, 2007

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

	Notes	December 31, 2007	December 31, 2006
Interest income			
Interest on loans and advances		1,171,134	657,460
Interest on securities		267,685	166,492
Interest on deposits with banks and other financial institutions		123,893	100,562
Interest on other money market placements		44,330	28,736
Interest on financial leases		39,555	31,810
Other interest income		127	51
Total interest income		1,646,724	985,111
Interest expense			
Interest on customer deposits		(687,370)	(402,948)
Interest on other money market deposits		(98,970)	(83,560)
Interest on funds borrowed and deposits from other banks		(239,938)	(127,392)
Other interest expense		-	-
Total interest expense		(1,026,278)	(613,900)
Net interest income		620,446	371,211
Fees and commissions and other operating income			
Fees and commissions income	25	244,521	152,604
Fees and commissions expenses	25	(69,845)	(29,297)
Foreign exchange gain		(40,652)	7,452
Gains less losses on trading securities	24	(5,204)	(1,198)
Gains less losses on investment securities		5,503	4,984
Other income (net)		4,606	592
Net banking income		759,375	506,348
Operating expenses			
Salaries and employee benefits	22	(283,314)	(180,843)
Other expenses	23	(163,855)	(105,135)
Depreciation and amortization	10,11	(31,494)	(19,166)
Taxes other than on income		(17,033)	(9,753)
Gross operating income		263,679	191,451
(Provisions for) / recoveries from impairment of loan, lease, factoring receivables		(84,268)	(19,262)
Net operating income		179,411	172,189
Income from associates		-	-
Gain/(loss) on sale of fixed assets and investments		98	97
Profit from operating activities before income tax		179,509	172,286
Income tax – current	16	(80,915)	(35,345)
Income tax – deferred	16	42,088	(3,820)
Net profit for the year		140,682	133,121
Attributable to :			
Equity holders of the parent		140,682	133,121
Minority interest		-	-
Net profit		140,682	133,121
Earnings per share (full TRY)	20	0.2425	0.2447

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, 2007

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, 2006		57,80		252,67	9,35	(26,39)	215,14	508,57	508,57
Currency translation differences						8,07		8,07	8,07
Net change in unrealized gain on available-for-sale investments					(19,47)			(19,47)	(19,47)
Exchange differences arising on transaction of foreign operations						7,92		7,92	7,92
Gain/(loss) on hedge of net investment in a foreign operation						(7,92)		(7,92)	(7,92)
Total income and expense for the year recognized directly in equity					(19,47)	8,07		(11,40)	(11,40)
Net profit for the year							133,12	133,12	133,12
Total income / expense for the year					(19,47)	8,07	133,12	121,72	121,72
Dividends paid							(18,74)	(18,74)	(18,74)
Capital increase		18,70	1,55				20,25	20,25	20,25
At December 31, 2006/January 1, 2007		76,50	1,55	252,67	(10,12)	(18,32)	329,51	631,84	631,84
Currency translation differences						(4,91)		(4,91)	(4,91)
Net change in unrealized gain on available-for-sale investments	19				12,52			12,52	12,52
Exchange differences arising on transaction of foreign operations	19					(4,77)		(4,77)	(4,77)
Gain/(loss) on hedge of net investment in a foreign operation	19					4,77		4,77	4,77
Total income and expense for the year recognized directly in equity					12,52	(4,91)		7,60	7,60
Net profit for the year							140,68	140,68	140,68

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED
DECEMBER 31, 2007

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

Total income / expense for the year					12,52	(4,91)	140,68	148,29	148,29
Dividends paid									
Capital increase	18	678,50	14	(251,75)			(216,75)	210,14	210,14
At December 31, 2007		755,00	1,72	92	2,30	(23,23)	253,45	990,27	990,27

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
DECEMBER 31, 2007

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

	Notes	December 31 , 2007	December 31, 2006
Cash flows from operating activities			
Interest received		1,559,6	907,318
Interest paid		(818,05)	(537,690)
Fees and commissions received		244,5	152,604
Trading income		2	3,786
Recoveries of impairment of loan, lease and factoring receivables		1,2	4,173
Fees and commissions paid		(69,84)	(29,297)
Cash payments to employees and other parties		(276,87)	(179,817)
Cash received from other operating activities		4,6	587
Other operating activities		(297,20)	(139,112)
Income taxes paid		(68,88)	(11,555)
Cash flows from operating activities before changes in operating assets and liabilities		279,4	170,997
Changes in operating assets and liabilities			
Net (increase) / decrease in trading securities		(115,85)	(788)
Net (increase) / decrease in reserve deposits at central banks		(194,47)	(248,087)
Net (increase) / decrease in due from banks and other financial institutions		(1)	158,102
Net (increase) / decrease in loans and advances		(1,905,43)	(2,240,338)
Net (increase) / decrease in factoring receivables		(183,99)	(126,971)
Net (increase) / decrease in minimum lease payments receivable		(118,46)	(111,304)
Net (increase) / decrease in other assets		(272,41)	(36,684)
Net increase / (decrease) in deposits from other banks		332,8	68,898
Net increase / (decrease) in customers' deposits		1,124,7	2,320,595
Net increase / (decrease) in other money market deposits		138,3	15,912
Net increase / (decrease) in factoring payables		55,7	50,145
Net increase / (decrease) in other liabilities		385,2	(47,650)
Net cash (used in) provided by operating activities		(753,74)	(198,170)
Cash flows from investing activities			
Purchases of available for sale securities		(674,88)	(1,547,044)
Proceeds from sale and redemption of available for sale securities		654,4	1,126,318
Proceeds from redemption of held to maturity securities		1,5	898
Purchases of property and equipment		(82,40)	(52,447)
Proceeds from the sale of premises and equipment		7	988
Purchases of intangible assets		(4,81)	(4,763)
Net cash provided by (used in) investing activities		(105,27)	(476,050)
Cash flows from financing activities			
Proceeds from funds borrowed and debt securities		13,047,0	5,869,389
Repayment of funds borrowed and debt securities		(11,640,49)	(5,146,275)
Issue of share capital	18	210,0	18,700
Premium in excess of par	18	1	1,592
Dividends paid to equity holders of the parent	19		(18,742)
Net cash provided by (used in) financing activities		1,616,7	724,664
Effect of net foreign exchange difference		(319,34)	7,387
Net increase/ (decrease) in cash and cash equivalents		717,8	228,828
Cash and cash equivalents at beginning of year	4	1,459,3	1,230,570
Cash and cash equivalents at end of year		2,177,2	1,459,398

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED

DECEMBER 31, 2007

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

1. CORPORATE INFORMATION

General

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

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

The consolidated financial statements of the Bank were authorized for issue by the management on February 15, 2008. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

Nature of Activities of the Group

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

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

The subsidiaries included in the consolidation and the effective shareholding percentages of the Group as of December 31, 2007 and 2006 are as follows:

	Place of Incorporation	Effective Shareholding And Voting Rights %	
		December 31, 2007	December 31, 2006
The Economy Bank N.V. (Economy Bank)	Netherlands	100.0	100.0
TEB Yatırım Menkul Değerler A.S. (TEB Yatırım)	Turkey	100.0	100.0
TEB Faktoring A.S. (TEB Faktoring)	Turkey	100.0	100.0
TEB Finansal Kiralama A.S. (TEB Leasing)	Turkey	100.0	100.0
TEB Portföy Yönetimi A.S. (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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED

DECEMBER 31, 2007

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

1. CORPORATE INFORMATION (continued)

The principal activities of the consolidated subsidiaries are as follows:

Economy Bank - Commercial bank, which deals mainly in foreign trade finance, corporate banking, private banking and correspondent banking services.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements have been prepared under the historical cost convention, except for 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 deferred taxation and reserve for impairment of loans.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED

DECEMBER 31, 2007

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of Significant Accounting Policies, Judgments and Estimates

Judgments and Estimates

The preparation of the financial statements in accordance with IFRS, including International Accounting Standards (IAS) requires management to make estimates and assumptions that are reflected in the measurement of income and expenses in the profit and loss statement and in the carrying value of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the financial statements. Managers do exercise judgment and make use of information available at the date of the preparation of the financial statements in making these estimates. The actual future results 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 bank and its subsidiaries, which operate in Turkey, is New Turkish Lira (TRY). Until December 31, 2004, the date at which the Group considers that the qualitative and quantitative characteristics necessitating restatement pursuant to IAS 29 (“Financial Reporting in Hyperinflationary Economies”) were no longer applicable, the financial statements of these companies were restated for the changes in the general purchasing power of TRY based on IAS 29, which requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED

DECEMBER 31, 2007

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Currencies of Foreign Subsidiaries:

As of December 31, 2007, 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, 2007 and 2006 was TRY 1,205 (see Note 11) 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.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED

DECEMBER 31, 2007

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, 2005	1.59	1.34
December 31, 2006	1.85	1.41
December 31, 2007	1.71	1.16

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 Economy Bank NV. The Group discontinued the hedge accounting prospectively as at October 31, 2007 since the underlying foreign exchange position comprising the hedging instrument is changed. All exchange differences arising from this hedging activity were recognized under equity until the date of discontinuation.

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.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED

DECEMBER 31, 2007

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Premises and Equipment

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

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

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

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

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

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

Intangible Assets

Intangible assets acquired 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 the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED

DECEMBER 31, 2007

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 carrying value would decrease by TRY 143 before tax effect, by fair valuing due to change in the classification and hence, the valuation methodology, with a corresponding entry in the net unrealized gains on available-for-sale investments under equity. There has been no tainting in the held-to-maturity portfolio during 2007 or 2006.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, by recent arm's length transactions, by discounted cash flow analysis or through other valuation techniques commonly used.

Repurchase and Resale Transactions

The Group enters into sales of securities under agreements to repurchase such securities at a fixed price at a fixed future date. Such securities, which have been sold subject to a repurchase agreement ('repos'), are recognized in the balance sheet and are measured in accordance with the accounting policy of the security portfolio which they 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 agreement using the effective interest method.

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

Offsetting Financial Instruments

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2007 is TRY 8,488,586 (December 31, 2006 - TRY 6,366,640) net of impairment allowance of TRY 135,348 (December 31, 2006 - TRY 54,892).

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 15 are reviewed regularly. The carrying value of employee termination benefit provisions as of December 31, 2007 is TRY 11,187 (December 31, 2006 - TRY 7,516).

(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 Vakfi ("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 TEB'liler 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. Based on the resolution passed in the General Assembly of TEB'liler Vakfi dated September 10, 2007, the process to liquidate TEB'liler Vakfi has started. There are no other liabilities related to employee benefits to be provisioned.

The pension plan for Economy Bank is based on a fixed contribution as a percentage of the annual salary, whereby the terms and conditions of the plan are based on each individual's requirements, within a fixed framework, 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.

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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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2007, the Group carry TRY 11,387 of income taxes payable (December 31, 2006 - TRY 19,702), TRY 57,222 of deferred tax asset (December 31, 2006 - TRY 18,259) and TRY 12 of deferred tax liability (December 31, 2006 - TRY 0 (nil)).

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2007, the carrying amount of derivative financial assets is TRY 45,032 (December 31, 2006 - TRY 22,280) and the carrying amount of derivative financial liabilities is TRY 262,515 (December 31, 2006 - TRY 69,121).

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 exercisibility of the option. Changes in assumptions about these factors could affect reported fair value of financial instruments.

Hedges of a Net Investment

Hedges of net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, 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. The Group discontinued the hedge accounting prospectively at October 31, 2007 since the underlying foreign exchange position comprising the hedging instrument is changed. All exchange differences arising from this hedging activity were recognized under equity until the date of discontinuation.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2007.

In summary:

IFRS 7 “Financial Instruments-Disclosures” that supersedes IAS 30 and amendments to IAS 1 “Presentation of Financial Statements” that includes disclosures about an entity’s capital became effective for annual periods beginning on or after January 1, 2007 and were applied in the accompanying financial statements.

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:

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

IFRS 2 “Share-based Payment— Amendment relating to vesting conditions and cancellations” – This amendment is effective for periods beginning on or after January 1, 2009.

IFRS 3 “Business Combinations — Comprehensive revision on applying the acquisition method” – This revision is effective for periods beginning on or after July 1, 2009.

IAS 1 “Presentation of Financial Statements” Includes comprehensive revision including a statement of comprehensive income. This revision will be effective for annual periods beginning on or after January 1, 2009.

IAS 1 “Presentation of Financial Statements – Amendments relating to disclosure of puttable instruments and obligations arising on litigation”. This amendment will be effective for annual periods beginning on or after January 1, 2009.

IAS 23 “Borrowing Costs” Includes comprehensive revision to prohibit immediate expensing relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2009.

IAS 27, “Consolidated and Separate Financial Statements — Consequential amendments arising from amendments to IFRS 3”. This revision is effective for periods beginning on or after July 1, 2009.

IAS 28, “Investments in Associates — Consequential amendments arising from amendments to IFRS 3”. This revision is effective for periods beginning on or after July 1, 2009.

IAS 31, “Investments in joint ventures — Consequential amendments arising from amendments to IFRS 3”. This amendment is effective for periods beginning on or after July 1, 2009.

IAS 32 “Financial Instruments: Presentation” includes amendments relating to puttable instruments and obligations arising on liquidation and is effective for annual periods beginning on or after January 1, 2009.

IFRIC 11, “IFRS 2 - Company and treasury share transactions” – 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.

IFRIC 13 “Customer Loyalty Programmes” — This Interpretation is effective for periods beginning on or after July 1, 2008.

IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction – This Interpretation is effective for periods beginning on or after January 1, 2008.

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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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassification of Comparative Information

The Group made certain reclassifications in the consolidated financial statements as of December 31, 2006 to be consistent with the current year presentation.

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, 2007

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

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3. SEGMENT INFORMATION (continued)

Year ended December 31, 2006

	Retail Banking	Corporate Banking	Other	Eliminations	Group
External revenues	104,267	648,482	390,298	(4,740)	1,138,307
Revenues from other segments	-	-	-	-	-
Total revenues	104,267	648,482	390,298	(4,740)	1,138,307
Segment result (A)	(3,450)	233,882	(57,548)	(598)	172,286
Unallocated costs (B)	-	-	-	-	-
Operating profit (A-B)	(3,450)	233,882	(57,548)	(598)	172,286
Dividend Income	-	-	22,661	(22,661)	-
Profit before income tax	(3,450)	233,882	(34,887)	(23,259)	172,286
Income tax	-	-	(39,165)	-	(39,165)
Net profit	(3,450)	233,882	(74,052)	(23,259)	133,121
Assets and Liabilities					
Segment assets	776,735	5,266,420	4,078,041	(44,875)	10,076,321
Investment in associates	-	-	158,185	(158,185)	-
Unallocated assets	-	-	173,504	-	173,504
Total assets	776,735	5,266,420	4,409,730	(203,060)	10,249,825
Segment liabilities	3,508,830	3,103,493	2,857,611	(44,596)	9,425,338
Unallocated liabilities	-	-	192,646	-	192,646
Total liabilities	3,508,830	3,103,493	3,050,257	(44,596)	9,617,984
Other segment information					
Capital expenditures					
Tangible fixed assets	-	-	-	-	52,447
Intangible fixed assets	-	-	-	-	4,763
Depreciation	-	-	-	-	16,615
Amortization	-	-	-	-	2,551

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.

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3. SEGMENT INFORMATION (continued)

Year ended December 31, 2007

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

Year ended December 31, 2006

	Turkey	European Union	Total
Other segment information			
Segment assets	8,651,498	1,424,821	10,076,321
Investment in associates	-	-	-
Unallocated assets	164,684	8,820	173,504
Total assets	8,816,182	1,433,641	10,249,825
Capital expenditures			
Tangible fixed assets	52,383	64	52,447
Intangible fixed assets	4,763	-	4,763

4. CASH AND CASH EQUIVALENTS

	December 31, 2007	December 31, 2006
Cash on hand	193,540	129,424
Balances with central banks	998,666	290,485
Reserve deposits	768,951	568,168
Cash and balances with central banks	1,961,157	988,077
Deposits with banks and other financial institutions	783,701	1,041,575
Funds lent under reverse repurchase agreements	14,526	1,194
Interbank placements	190,083	-
Other money market placements	204,609	1,194
Less: Time deposits with original maturities of more than three months	(3,298)	(3,280)
Less: Reserve deposits	(768,951)	(568,168)
Cash and cash equivalents in the cash flow statement	2,177,218	1,459,398

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4. CASH AND CASH EQUIVALENTS (continued)

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

	December 31, 2007		December 31, 2006	
	Effective interest rate		Effective interest rate	
	New Turkish Lira	Foreign Currency	New Turkish Lira	Foreign Currency
Balances with central banks	-	1.80% -4.17%	-	1.73%-3.30%
Reserve deposits	11.81%	1.80% -1.95%	13.12%	1.73%-2.52%
Deposits with banks and other financial institutions	15.70%-19.90%	3.30%-20.00%	13.65%-20.80%	5.15% -12.00%
Funds lent under reverse repurchase agreements	16.60%-17.10%	7.00%	18.15%-18.30%	
Interbank placements	15.75%	-	-	

As of December 31, 2007 and 2006, the amounts of reserve deposits at central banks are TRY 768,951 and TRY 568,168, 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 749,526 (December 31, 2006 - TRY 545,614).

As of December 31, 2007 and 2006, the reserve deposit requirements applicable in Turkey for New Turkish Lira and foreign currency deposits were 6% and 11%, respectively.

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

5. INVESTMENTS IN FINANCIAL INSTRUMENTS

Financial assets at fair value through profit and loss:

	December 31, 2007			December 31, 2006		
	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	174,42	7.32%-18.86%	5.20%-6.63%	75,62	20.90%-21.40%	5.30%-7.20%
Turkish treasury bills	3,84	14.00%-20.78%	-	1,72	15.00%-23.06%	9.00%-12.38%
Eurobonds issued by the Turkish government	20,61	-	3.92%-11.88%	5,05	-	5.00%-5.20%
Equity instruments –listed	66	-	-	2,32	-	-
Total financial assets at fair value through profit and loss	199,55			84,72		

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5. INVESTMENTS IN FINANCIAL INSTRUMENTS (continued)

Investment Securities:

	December 31, 2007			December 31, 2006		
	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	567,9	16.14%-21.0%	5.20%-6.1	632,5	14.14%-22.2%	6.40%-6.6
Turkish treasury bills						
Eurobonds issued by the Turkish government	59,4	15.7%	5.75%-6.5	65,6		5.65%-5.8
Total available for sale securities at fair value	627,3			698,1		
Available-for-sale securities at cost						
Equity instruments –listed				4		
Equity instruments –unlisted						
Total available for sale securities	627,4			699,1		
Debt instruments						
Turkish treasury bills	1,6	20.7%		1,6	23.0%	
Eurobonds issued by the Turkish government	6,1		5.8	9,4		5.8
Total held-to-maturity securities	7,7			11,0		
Total investment securities	635,1			710,2		

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

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, 2007	December 31, 2006
Financial assets at fair value through profit and loss		4,86
Available-for-sale securities	993,84	856,75
Held-to-maturity securities		
Carrying value of securities given as collateral under repos	993,84	861,62
Related liability	909,33	771,00

Repurchase agreements mature within 1 month.

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5. INVESTMENTS IN FINANCIAL INSTRUMENTS (continued)

As of December 31, 2007, government securities with carrying values of TRY 174,936 (December 31, 2006 - TRY 181,748) 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 1,037,340 (December 31, 2006 - TRY 1,088,609) of debt securities included in the trading, investment and loaned securities portfolios have floating interest rates, whereas the rest of the debt securities have fixed interest rates.

The Group has not reclassified any financial asset as one measured at amortized cost rather than at fair value during the year (December 31, 2006 - nil).

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

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

	December 31, 2007			December 31, 2006		
	Available-for-sale	Held-to-maturity	Tota	Availablefor sal	Held-tc maturit	Tota
At January 1	1,555,90	11,05	1,566,96	1,099,19	11,80	1,111,00
Exchange differences		(1,629)	(1,629)		(55)	(55)
Additions	674,88	.	674,88	1,560,14		1,560,14
Disposals (sale and redemption)	(654,495)	(1,597)	(656,092)	(1,126,318)	(898)	(1,127,216)
Changes in fair value	44,98	(92)	44,89	22,87	20	23,07
At December 31	1,621,28	7,73	1,629,02	1,555,90	11,05	1,566,96

6. LOANS AND ADVANCES

	December 31, 2007			December 31, 2006		
	Amount	Effective interest rate		Amount	Effective interest rate	
		New Turkish Lira	Foreign Currency		New Turkish Lira	Foreign Currency
Corporate loans	4,749,271	16.25%-59.40%	4.20%-18.60%	4,066,45	17.50%-35.00%	3.00%-42.06%
Small Business	1,588,527	25.80%	7.89%	912,33	26.96%	7.91%
Consumer loans	981,19	17.10%-81.00%	3.72%-13.20%	696,12	12.60%-59.40%	3.00%-13.20%
Credit cards	264,40	47.40%-74.40%	.	50,28	47.40%-75.48%	.
Other	30,25	17.1%-32.00%	.	28,73	19.60%-33.25%	.
Total performing loans	7,613,64			5,753,93		
Loans in arrears	121,50			44,79		
Less: Allowance for individually impaired loans	(73,056)			(27,746)		
Less: Allowance for collectively impaired loans	(52,785)			(21,148)		
Total	7,609,311			5,749,83		

Loans and advances amounting to TRY 2,869,116 have floating interest rates and the rest have fixed interest (December 31, 2006 – TRY 2,396,179)

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.

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6. LOANS AND ADVANCES (continued)

December 31,2007	Corporate	Small Business	Consumer	Credit Cards	Other	Total
Neither past due nor impaired	4,742,321	1,572,261	974,171	237,371	30,251	7,556,401
Past due not impaired	6,941	16,261	7,011	27,021		57,241
Individually impaired	72,721	17,621	20,171	10,981		121,501
Total Gross	4,821,991	1,606,141	1,001,361	275,381	30,251	7,735,151
Less: allowance for individual impaired loans	(49,535)	(10,685)	(8,132)	(4,704)		(73,056)
Less: allowance for collective impaired loans	(20,627)	(12,490)	(10,277)	(9,391)		(52,785)
Total Allowance for impairment	(70,162)	(23,175)	(18,405)	(14,095)		(125,841)
Total net	4,751,831	1,582,971	982,951	261,291	30,251	7,609,311

December 31,2006	Corporate	Small Business	Consumer	Credit Cards	Other	Total
Neither past due nor impaired	4,063,901	910,771	692,651	44,501	28,731	5,740,581
Past due not impaired	2,551	1,561	3,461	5,771		13,351
Individually impaired	31,241	6,781	5,221	1,531		44,791
Total Gross	4,097,701	919,121	701,341	51,811	28,731	5,798,721
Less: allowance for individual impaired loans	(21,754)	(3,399)	(1,887)	(706)		(27,746)
Less: allowance for collective impaired loans	(15,383)	(1,640)	(3,811)	(314)		(21,148)
Total Allowance for impairment	(37,137)	(5,039)	(5,698)	(1,020)		(48,894)
Total net	4,060,561	914,081	695,651	50,791	28,731	5,749,831

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

December 31,2007	Corporate	Small Business	Consumer	Credit Cards	Other	Total
At January 1	21,751	3,391	1,881	701		27,741
Charge for the year	28,511	7,861	6,241	4,131		46,761
Recoveries	(635)					(635)
Amounts written off	(102)	(583)		(133)		(818)
At December 31	49,531	10,681	8,131	4,701		73,051

December 31,2006	Corporate	Small Business	Consumer	Credit Cards	Other	Total
At January 1	12,801	2,191	1,771	71		16,851
Charge for the year	13,321	1,201	1,411	631		16,571
Recoveries	(2,357)		(1,308)			(3,665)
Amounts written off	(2,014)					(2,014)
At December 31	21,751	3,391	1,881	701		27,741

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6. LOANS AND ADVANCES (continued)

Movements in the reserve for impairment on loans and advances :

	December 31, 2007	December 31, 2006
Reserve at beginning of year	48,894	32,940
Provision for impairment	79,587	21,633
Recoveries	(635)	(3,665)
Provision net of recoveries	78,952	17,968
Loans written off during the year	(818)	(2,014)
Exchange difference	(1,187)	-
Reserve at the end of the year	125,841	48,894

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.

The fair value of collateral that the Group holds relating to loans individually determined to be impaired at December 31, 2007 is TRY 35,438 (December 31, 2006- TRY 13,283).

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

December 31, 2007	Corporate	Small Business	Consumer	Credit Cards	Other	Total
Residential, commercial or industrial property	2,980	15	8		4	3,267
Financial assets						
Other	10					10
Total (IFRS 7.38)	2,990	15	8		4	3,277
December 31, 2006	Corporate	Small Business	Consumer	Credit Cards	Other	Total
Residential, commercial or industrial property	89		2			91
Financial assets						
Other	10					10
Total (IFRS 7.38)	99		2			101

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

December 31, 2007	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and advances to customers					
Corporate lending	2,547	1,947	2,457	.	6,947
Small business lending	4,547	7,617	4,097	.	16,267
Consumer lending	2,290	3,607	1,117	.	7,017
Credit cards	10,817	12,067	4,147	.	27,027

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Other				
Total	20,19	25,24	11,81	57,24

6. LOANS AND ADVANCES (continued)

December 31,2006					
	Less than 30			More than 91	
	days	31-60 days	61-90 days	days	Total
Loans and advances to customers					
Corporate lending	1,86	51	16		2,55
Small business lending	66	70	20		1,56
Consumer lending	1,17	1,86	42		3,46
Credit cards	2,34	2,56	85		5,77
Other					
Total	6,05	5,65	1,65		13,35

Of the total aggregate amount of gross past due but not yet impaired loans and advances to customers, the fair value of collaterals, that the Group held as at December 31, 2007 was TRY 155,536 (December 31, 2006- TRY 91,163).

Loans and receivables designated as at fair value through profit or loss

As of December 31, 2007, the Group has no loans and receivables designated at fair value through profit or loss (2006 - nil).

Credit derivatives over loans and receivables at fair value

As of December 31, 2007, the Group has no credit derivatives over loans and receivables designated at fair value (2006 - nil).

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7. FACTORING RECEIVABLES AND PAYABLES

	December 31, 2007			December 31, 2006		
	Amount	Effective interest rate		Amount	Effective interest rate	
		New Turkish Lira	Foreign Currency		New Turkish Lira	Foreign Currency
Factoring receivables	480,823	16.93%-47.79%	3.53%-10.32%	298,884	14.08 %-47.02%	3.13%-10.06%
Receivables in arrears	3,174			1,977		
Less: Reserve for impairment	(3,532)			(2,562)		
Less: Deferred income	(3,956)			(4,978)		
Net factoring receivables	476,509			293,321		
Factoring payables	(169,605)			(111,072)		
Funds in use, net	306,904			182,249		

Factoring receivables have no floating interest rates (December 31, 2006 – TRY 64,847 floating).

Movements in the reserve for impairment:

	December 31, 2007	December 31, 2006
Reserve at beginning of year	2,562	1,704
Provision for impairment	1,029	1,036
Recoveries	(59)	(178)
Provision net of recoveries	970	858
Reserve at end of the period (year)	3,532	2,562

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8. MINIMUM LEASE PAYMENTS RECEIVABLE

	December 31, 2007	December 31, 2006
Not later than 1 year	217,597	183,073
Later than 1 year but not later than 5 years	252,280	187,877
Later than 5 years	3,189	1,113
Minimum lease payments receivable, gross	473,066	372,063
Less: Unearned interest income	(76,150)	(49,766)
Net investment in finance leases	396,916	322,297
Lease receivables in arrears	11,825	4,625
Less : Reserve for impairment	(5,975)	(3,436)
Minimum lease payments receivable, net	402,766	323,486

Net investment in finance leases are analyzed as follows:

	December 31, 2007	December 31, 2006
Not later than 1 year	178,987	154,487
Later than 1 year but not later than 5 years	216,499	166,729
Later than 5 years	1,430	1,081
Total	396,916	322,297

As of December 31, 2007 and 2006, TRY 413,683 and TRY 309,212 of gross lease receivables are denominated in foreign currencies (mainly USD and EUR), respectively. The average interest rates are between 5.55% and 16.23% (December 31, 2006 - 13.66% to 14.20%) for foreign currency and average of 28.57% (December 31, 2006 - 24.16%) for TRY denominated receivables. Finance lease receivables have fixed interest rates.

Movements in the reserve for impairment:

	December 31, 2007	December 31, 2006
Reserve at beginning of year	3,436	3,000
Provision for impairment	3,647	766
Recoveries	(506)	(330)
Provision net of recoveries	3,141	436
Minimum lease payments receivable written off during the year	(602)	-
Reserve at end of the year	5,975	3,436

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9. INVESTMENT IN ASSOCIATES

As of December 31, 2007, the Group has no investments in associates (2006 - nil).

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.

10. PREMISES AND EQUIPMENT

	Land and Buildings	Motor Vehicles	Furniture, Office Equipment, Leasehold Improvements	Total
At January 1, 2006, net of accumulated depreciation	18,922	236	42,087	61,245
Additions	3	.	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/January 1, 2007, net of accumulated depreciation	19,613	178	77,403	97,194
Additions	34,634	328	84,321	119,283
Disposals	.	(16)	(1,099)	(1,115)
Depreciation charge for the year	(381)	(149)	(27,190)	(27,720)
Exchange adjustment	(543)	(6)	(13)	(562)
At December 31, 2007, net of accumulated depreciation	53,323	335	133,422	187,080
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
At December 31, 2007				
Cost	57,103	644	260,541	318,288
Accumulated depreciation	(3,780)	(309)	(127,119)	(131,208)
Net carrying amount	53,323	335	133,422	187,080

As of December 31, 2007 the cost of fully depreciated items is amounting to TRY 74,974 (December 31, 2006 - TRY 67,714).

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11. INTANGIBLE ASSETS

	Goodwill	Software Licenses and Other	Total
At January 1, 2006, 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	-	4	4
At December 31, 2006, net of accumulated Amortization	1,205	6,676	7,881
Additions	-	4,810	4,810
Disposals	-	(9)	(9)
Amortization charge for the year	-	(3,774)	(3,774)
Exchange adjustment	-	(12)	(12)
At December 31, 2007, net of accumulated amortization	1,205	7,691	8,896
At December 31, 2006			
Cost (gross carrying amount)	1,205	20,816	22,021
Accumulated amortization	-	(14,140)	(14,140)
Net carrying amount	1,205	6,676	7,881
At December 31, 2007			
Cost (gross carrying amount)	1,205	25,508	26,713
Accumulated amortization and impairment	-	(17,817)	(17,817)
Net carrying amount	1,205	7,691	8,896

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 11,306 as of December 31, 2007 (December 31, 2006 - TRY 8,228).

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12. OTHER ASSETS

	December 31, 2007	December 31, 2006
Transitory accounts(*)	216,910	11,418
Advances given to suppliers	3,424	8,826
Equipment to be leased	37,279	6,552
Prepaid expenses	17,433	8,098
Prepaid income and other taxes	5,649	1,834
Assets held for resale	3,279	936
Others	40,881	12,506
Total	324,855	50,170

(*) Includes cheque clearing accounts of TRY 195,113 (2006 –nil).

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, 2007 and 2006, 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.

13. DEPOSITS

Deposits from other banks

	December 31, 2007			December 31, 2006		
	Amount	Effective interest rate		Amount	Effective interest rate	
		New Turkish Lira	Foreign Currency		New Turkish Lira	Foreign Currency
Demand	152,831			48,331		
Time	368,201	13.25%-18.50%	2.75%-5.40%	139,861	15.00%-21.00%	2.00%-5.30%
Total	521,031			188,201		

Customers' deposits

	December 31, 2007			December 31, 2006		
	Amount	Effective interest rate		Amount	Effective interest rate	
		New Turkish Lira	Foreign currency		New Turkish Lira	Foreign Currency
Saving						
Demand	365,571	1.00% -5.00%	0.75% -5.00%	271,270	1.00% -5.00%	1.50% -2.50%
Time	3,937,861	10.00% -21.00%	2.00% -20.00%	3,273,863	9.00% -22.00%	2.00% -12.00%
	4,303,431			3,545,133		
Commercial and other						
Demand	1,053,321	1.00% -7.00%	0.75% -5.31%	821,096	1.00% -7.00%	1.00% -2.50%
Time	2,306,387	10.00% -19.35%	2.00% -7.75%	2,171,274	10.00% -22.00%	1.00% -6.18%
	3,359,707			2,992,370		
Total	7,663,141			6,537,503		

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13. DEPOSITS (continued)

Included in customer accounts were deposits of TRY 337,922 (December 31, 2006 - TRY 406,191) held as collateral for cash and non-cash loans given.

Other money market deposits

	December 31, 2007			December 31, 2006		
	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	585,74	12.21%-16.12%	-	223,68	17.95%-18.55%	-
-Due to banks and other financial institutions	323,58	16.20%-17.15%	-	547,32	17.95%-18.60%	-
	909,33			771,00		

Deposits and other money market deposits amounting to TRY 19,005 have floating interest rates and the rest have fixed interest. (December 31, 2006 – TRY 12,039)

14. FUNDS BORROWED

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

	December 31, 2006		
	Amount	Effective interest rate	
		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		

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14. FUNDS BORROWED (continued)

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

	December 31, 2007		December 31, 2006	
	Fixed rate	Floating rate	Fixed rate	Floating rate
2007				6,245
2008			47,85	53,22
2009	71,231	69,81	15,04	52,771
2010	92,30	46,04	13,80	97,36
2011 and thereafter	278,03	317,60	219,30	91,36
Total	441,56	433,46	296,00	300,97

The parent Bank has signed an agreement with the International Finance Corporation (IFC) on July 17, 2002, for a subordinated loan of USD 15 million. The maturity of the loan is October 14, 2011.

The parent Bank has signed another agreement with the IFC on June 27, 2005, for a subordinated loan. The facility is a USD 50 million subordinated loan, with a maturity of June 29, 2015.

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

The parent Bank has obtained a primary subordinated loan by issuing a bond amounting to USD 100 million as of July 31, 2007. The investor of the bond is IFC International Finance Corporation (IFC). The maturity of the borrowing is indefinite with six monthly interest payments.

As of December 31, 2007, the parent Bank has a syndication loan of EUR 240,000,000 with a maturity of 1 year, under foreign borrowings obtained as of November 20, 2007.

Funds borrowed are unsecured.

The Group has not had any defaults of principal, interest or redemption amounts or other breaches of loan covenants during 2007 (2006 - none).

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15. OTHER LIABILITIES AND PROVISIONS

	December 31, 2007	December 31, 2006
Other liabilities		
Transitory accounts	336,400	31,839
Payables to credit card member firms	59,809	31,471
Taxes and compulsory contributions other than on income	35,511	25,533
Trade and other payables	16,391	24,415
Blocked bank cheques	20,962	16,027
Advances taken	6,224	8,808
Unused vacation pay liability	7,878	6,460
Payment orders	863	1,451
Payables regarding bonus card transactions	56,774	4,642
Others	39,005	12,410
	579,817	163,056
Provisions		
Employee termination benefits	11,187	7,516
Portfolio reserve for non-cash loans	3,067	2,372
	14,254	9,888
Total	594,071	172,944

(*) Includes cheque clearing accounts of TRY 195,113 (2006 – nil).

Employee Termination Benefits

In accordance with existing social legislation, the Bank and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay (limited to a maximum of TRY 2.030 and TRY 1.857 at December 31, 2007 and 2006 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, 2007 and 2006, the Group reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield on government bonds at the balance sheet date. The annual ceiling has been increased to TRY 2.088 effective from 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, 2007	December 31, 2006
Discount rate	11 %	11 %
Expected rates of inflation	5 %	5 %

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15. OTHER LIABILITIES AND PROVISIONS (continued)

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

	December 31, 2007	December 31, 2006
Opening defined benefit obligation	7,5	6,4
Current service cost	1,0	9
Interest cost	7	9
Actuarial (gains)/ losses	3,3	1
Benefits paid	(1,44)	(94)
Closing defined benefit obligation, recognized in the balance sheet	11,1	7,5

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

	December 31, 2007	December 31, 2006
Current service cost	1,0	9
Interest cost	7	9
Amortization of unrecognized net (gain)/loss	3,3	1

16. 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: 20% in 2007 and 2006.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was 20% for 2007 (2006: 20%).

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 1st to 25th of the fourth month 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.

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

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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.

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16. INCOME TAXES (continued)

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

The tax rate that companies can use in case of deducting tax investment incentive amount in 2006, 2007 and 2008 is 30%. If 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, 2007.

As of December 31, 2007, effective tax rate of the consolidated foreign subsidiaries established in the Netherlands is 25.5% (December 31, 2006 - 29.6%).

As of December 31, 2007 and 2006 advance income taxes are netted off with the current income tax liability as stated below:

	December 31, 2007	December 31, 2006
Income tax liability	80,980	31,257
Advance income taxes	(69,593)	(11,555)
	11,387	19,702

Major components of income tax expense for the year ended December 31, 2007 and 2006 are:

	December 31, 2007	December 31, 2006
Consolidated income statement		
<i>Current income tax</i>		
Current income tax charge	80,915	35,345
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(42,088)	3,820
Income tax expense reported in consolidated income statement	38,827	39,165

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, 2007 and 2006 are as follows:

	December 31, 2007	December 31, 2006
Profit before income tax	179,505	172,286
At Turkish statutory income tax rate of 20%	35,901	34,457
Income not subject to tax	(248)	(10,825)
Other, net (including effects of disallowables, permanent differences and different tax rates applied in different jurisdictions)	3,171	15,533

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Income tax	38,827	39,165
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16. INCOME TAXES (continued)

Deferred income tax

Deferred income tax at December 31, 2007 and 2006 relates to the following:

	Consolidated Balance Sheet		Consolidated Income Statement	
	2007	2006	2007	2006
Deferred income tax liabilities				
Difference between tax and reporting bases of premises and equipment and intangible assets	4,17	2,63	1,54	5
Others	1,26	2	1,23	(5)
Gross deferred income tax liabilities	5,44	2,66	2,78	4
Deferred income tax assets				
Impairment provisions	11,97	4,62	7,35	(1,548)
Deferred gains and losses on foreign exchange contracts	43,78	9,59	34,19	4,66
Valuation differences of trading and investment securities	88	50	38	25
Employee termination benefits and vacation pay liability	3,81	2,79	1,02	(119)
Others	2,19	3,41	(1,217)	(530)
Gross deferred income tax assets	62,65	20,92	41,73	2,72
Deferred income tax asset, net	57,21	18,25	38,95	2,72
			2007	2006
Deferred income tax credit (charge) recognized in equity			(3,137)	6,541
Deferred income tax credit (charge) recognized in income statement, net			42,08	(3,820)

Reflected as:

	December 31, 2007	December 31, 2006
Deferred tax asset	57,22	18,25
Deferred tax liability	1	

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

	December 31, 2007	December 31, 2006
Balance at January 1	18,25	15,53
Deferred income tax credit (charge) recognized in income statement	42,08	(3,820)
Deferred income tax credit (charge) recognized in equity	(3,137)	6,541
Balance at year -end	57,21	18,25

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17. 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, 2007			December 31, 2006		
	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	37,374	34,810	2,023,401	9,990	9,511	783,669
Currency swap contracts	3,782	193,912	2,295,232	8,536	37,824	1,616,582
Interest swap contracts	1,532	31,412	14,684	2,832	21,102	16,920
Call & put option contracts	2,342	2,182	877,536	862	452	874,372
Other	.	182	296,942	52	222	105,212
	45,032	262,512	5,507,792	22,280	69,121	3,396,760

Fair value hedges

As of December 31, 2007, the Group has no fair value hedges (2006 - nil).

Cash flow hedges

As of December 31, 2007, the Group has no cash flow hedges (2006 - nil).

Hedge of net investment in foreign operations

The Group has discontinued the hedge of the net investment in its foreign subsidiary The Economy Bank NV ("TEB NV"), operating in Netherlands with a capital of EUR 30 million, as of October 31, 2007. The valuation differences of the net investment for the current year amounting to TRY 4,770 loss (2006- TRY 7,919 gain) and the valuation differences in the hedging instrument amounting to TRY 4,770 gain (2006- TRY 7,919 loss) until October 31, 2007 have been accounted for under "Other Reserves".

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18. SHARE CAPITAL

	December 31, 2007	December 31, 2006
Total number of shares, TRY 0.001 par value	755,000 Millic	76,500 Millic

Shares traded on the Istanbul Stock Exchange are in the form of units of two shares with a combined nominal value of TRY0.001 each.

As of December 31, 2007 and 2006, the Bank's historical subscribed and issued share capital was TRY 755,000 and TRY 76,500, respectively.

As of December 31, 2007 and 2006, the composition of shareholders and their respective ownerships are summarized below:

	December 31, 2007		December 31, 2006	
	Amount	%	Amount	%
TEB Mali Yatirimlar A.S.	636,119	84.25	64,454	84.25
Publicly traded	118,018	15.63	11,956	15.63
Other shareholders	863	0.12	90	0.12
	755,000	100.00	76,500	100.00
Restatement effect	926		252,676	
Total	755,926		329,176	

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.

Based on the resolution of the Board of Directors no. 3840/28 on March 31, 2006, and its approval in the General Assembly on March 27, 2007, after completing all of the legal procedures, the parent Bank decided to increase the paid-in capital of the Bank to TRY 100,000 by TRY 23,500 within the registered capital ceiling and decided to incorporate TRY 11,750 of this increase from the extraordinary reserves, and the remaining TRY 11,750 from the inflation accounting differences on share capital and in exchange distribute the investors as bonus shares as per their proportionate shares. The capital increase procedures were completed as of June 7, 2007.

At the meeting held on August 28, 2007, the Board of Directors decided to increase the paid-in capital of the Parent Bank to TRY 755,000 by TRY 655,000 within the registered capital ceiling subsequent to the resolution of the ceiling increase at the Extraordinary General Assembly, by injecting TRY 210,000 from the shareholders' in cash and in exchange distribute shares as per their proportionate shareholding, incorporating TRY 240,000 from the inflation accounting differences on share capital and TRY 205,000 from the extraordinary reserves and in exchange distribute bonus shares to the shareholders as per their proportionate shareholding. The Extraordinary General Assembly of the Parent Bank resolved to increase the capital ceiling TRY 100,000 to TRY 900,000 on September 5, 2007. The increase was registered with Istanbul Trade Registry Office on September 6, 2007. The capital increase procedures were completed as of November 21, 2007.

Share premium that consists of the difference between the sales value of nominal share certificates of the parent Bank of TRY 138 and TRY 67 on the Istanbul Stock Exchange (ISE) from the capital increase dated June 30, 2006 and October 31, 2007 and that corresponds to the shares of shareholders who have not used their pre-emptive rights and the nominal value of the said share certificates has been realized as TRY 1,592 and TRY 144, respectively.

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

Movement in legal reserves and retained earnings are as follows:

	December 31, 2007			December 31, 2006		
	Legal Reserve	Retained Earning	Total	Legal Reserves	Retained Earning	Total
At January 1	28,75	300,76	329,51	19,95	195,18	215,14
Issue of share capital		(216,750)	(216,750)			
Transfer from retained earnings	7,66	(7,66)		8,80	(8,801)	
Dividends paid					(18,742)	(18,742)
Net profit for the period (year)		140,68	140,68		133,12	133,12
At December 31	36,42	217,02	253,45	28,75	300,76	329,51

Legal Reserves

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

Dividends Paid and Proposed

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

As of the issue date of this report no decision regarding the profit distribution from the profit on the financial statements dated December 31, 2007 was resolved (2006: nil).

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.

Movements in other reserves are as follows:

	Available for sale investments valuation reserve	Hedge of net investment in foreign operations	Total
At January 1	(10,123)		(10,123)
Net unrealised gains on AFS	20,72		20,72
Realised (gains) / losses on AFS recycled to income statement on disposal	(5,065)		(5,065)
Tax effect of net gains on AFS	(3,137)		(3,137)
Net unrealised gains on net investment in foreign operations		(4,770)	(4,770)
Net gain from designated instruments for hedge of net investment in foreign operations		4,770	4,770
At December 31	2,391		2,391

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20. 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, 2007.

	Opening	Cash	Transfers from Retained Earnings	Transfers From Revaluation Surplus	Adjustments to Share Capital	Reinvestment of Dividend Payments	Total	Closing
Before 1995	-	150	3,000	250	-	-	3,400	3,400
1996	3,400	-	-	330	-	1,270	1,600	5,000
1997	5,000	-	1,020	590	-	4,380	6,000	11,000
1998	11,000	5,512	520	682	-	7,270	14,000	25,000
1999	25,000	-	600	2,062	-	16,330	19,000	44,000
2000	44,000	40,182	-	-	-	26,060	66,250	110,250
2001	110,250	-	-	-	-	-	-	110,250
2002	110,250	-	-	-	-	-	-	110,250
2003	110,250	-	5,350	-	-	-	5,350	115,600
2004	115,600	-	-	-	-	-	-	115,600
2005	115,600	-	-	-	-	-	-	115,600
2006 (*)	57,800	18,700	-	-	-	-	18,700	76,500
2007	76,500	210,000	216,750	251,750	-	-	678,500	755,000

(*)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, 2007 and 2006.

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

	December 31, 2007	December 31, 2006
Net profit / (loss) attributable to ordinary shareholders for basic earnings per share	0.2425	0.2447
Weighted average number of ordinary shares (in millions) for basic earnings per share	580,096	543,920

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.

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21. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Group is controlled by the Çolakoglu family and BNP Paribas Group each of which directly or indirectly own 50% of the shares of Parent of the Bank. For the purpose of these consolidated financial statements, unconsolidated subsidiaries, associates, shareholders, Çolakoglu Group companies, 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 and transactions with related parties at year-ends and relating expense and income for the years are as follows:

December 31, 2007:

Related party	Cash loans	Non-cash loans	Funds borrowed	Deposits taken	Deposits with banks	Other current assets	Other liabilities	Notional amount of derivative transactions	Interest income	Interest expense	Other operating income	Other operating expense
Direct/Indirect shareholders	20,86	25,14	661,47	587,44	5,43	27	1,87	1,363,28	5,24	119,60		4,08
Others	10,42	7,07	584,86	684,33	2,45		1,42	75,13	4,72	101,53	43	75

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	1,40	2,76	131,40	377,57	2,69		5,76	173,85	3,64	32,40	1,70	5,39
Others	12,90	53,96	221,11	815,97	2,16		75	10,27	2,77	66,24	25	36

No provisions have been recognized in respect of loans given to related parties (2006 - 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 23,237 as of December 31, 2007, (December 31, 2006 – TRY 16,140) comprising mainly of salaries and other short-term benefits.

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22. SALARIES AND EMPLOYEE BENEFITS

	December 31, 2007	December 31, 2006
Wages and salaries	198,54	127,46
Cost of defined contribution plan (employers' share of social security premiums)	29,42	17,71
Bonuses	19,67	11,78
Provision for employee termination benefits	5,11	1,97
Other fringe benefits	30,56	21,91
Total	283,31	180,84

23. OTHER EXPENSES

	December 31, 2007	December 31, 2006
Maintenance and various administrative expenses	59,712	38,711
Rent expenses	47,638	28,332
Advertisement expenses	27,388	20,819
Communication expenses	22,965	13,205
Saving Deposit Insurance Fund (SDIF) premiums	6,152	4,068
Total	163,855	105,135

24. GAINS LESS LOSSES ON TRADING SECURITIES

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

25. FEES AND COMMISSIONS INCOME AND EXPENSES

	December 31, 2007	December 31, 2006
Fees and commissions income		
Banking	191,46	103,66
Fund management	30,20	31,34
Brokerage	22,85	17,60
Total	244,52	152,60
Fees and commissions expenses		
Banking	60,05	28,00
Other	9,79	1,28
Total	69,84	29,29

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26. 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, 2007	December 31, 2006
Letters of guarantee issued	2,138,65	1,732,14
Letters of credit	855,69	889,02
Acceptance credits	64,00	50,14
Other guarantees	199,05	202,01
Total non-cash loans	3,257,39	2,873,32
Other commitments	3,085,45	612,26
Credit card limit commitments	822,70	260,61
Letters of guarantee obtained	105,97	114,57
Total	7,271,53	3,860,78

Fiduciary Activities

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

The nominal values of the assets (excluding investment funds) held by the Group in agency or custodian capacities and financial assets under portfolio management amounted to TRY 1,027,958 at December 31, 2007 (December 31, 2006 - TRY 896,625). As of December 31, 2007, securities at custody include investment funds with market value of TRY 1,129,317 (December 31, 2006 - TRY 718,070)

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, 2007, in line with the requirements of IGM, letters of guarantee amounting to USD 410,000 (December 31, 2006 - USD 1,410,000) had been obtained from local banks and were provided to IGM for transactions conducted in that market.

As of December 31, 2007, according to the general requirements of the ISE, letters of guarantee amounting to TRY 7,029 and USD 10,500,000 (December 31, 2006 - TRY 4,429 and USD 12,500,000) had been obtained from various local banks and were provided to ISE for bond and stock market transactions. Also, as of December 31, 2007 according to the general requirements, letters of guarantee amounting to TRY 1,313 (December 31, 2006 - TRY 1,213), were given to the Capital Markets Board.

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26. COMMITMENTS AND CONTINGENCIES (continued)

Litigation

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

Other

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

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

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

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

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

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

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27. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk

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

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

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 corporate and also guarantees. This system helps make decisions of allocating credit limits and accepted guarantees. There exist also collateral rating systems based on type and quality of the collaterals.

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

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

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

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

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

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

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

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27. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Assessing the customer's recent performance there may be early signs of delinquency or other irregular symptoms detected in an account, warranting a more detailed review of the credit-worthiness and the repayment ability of the customer concerned. If there is a doubt about a customer's loans, the customer is included in a precautionary watch list. It is advised to request additional collateral. 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 Group to mitigate counterparty risks mainly on derivative transactions. The transactions concerned are executed according to the terms of bilateral or multilateral master agreements that comply with the general provisions of international master agreements such as International Swaps and Derivatives Association (ISDA).

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

	December 31, 2007	December 31, 2006
Hotels, Tourism, Leisure	9,08	62,63
Finance	880,14	937,83
Banks	2,800,95	1,923,70
Government	1,828,57	1,656,55
Food	1,201,91	889,30
Private individuals	1,269,40	776,74
Transportation	625,49	487,91
Chemical	488,92	421,56
Wholesaler	741,54	604,91
Automotive	609,45	397,09
Healthcare & Pharmacy	32,00	51,98
Construction & public works	1,003,41	777,25
Equipment materials	311,84	260,47
Technology	238,50	179,72
Energy	130,25	129,52
Ores & Materials	3,728,48	2,827,49
Property	5,78	4,09
Others	4,808,71	1,469,03
Total	20,714,50	13,857,84

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27. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

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

	December 31, 2007	December 31, 2006
Gross maximum exposure		
Cash and balances with Central Banks (excluding cash on hand)	1,767,61	858,65
Deposits with banks and other financial institutions	783,70	1,041,57
Other money market placements	204,60	1,19
Financial assets at fair value through profit and loss	199,55	89,59
Derivative financial instruments	45,03	22,28
Available -for-sale	1,621,28	1,555,90
Held-to-maturity	7,73	11,05
Loans and advances to customers	8,488,58	6,366,64
Other assets	324,85	50,17
Total	13,442,97	9,997,06
Contingent liabilities	3,257,39	2,873,32
Commitments	4,014,13	987,45
Total	7,271,53	3,860,78
Total credit risk exposure	20,714,50	13,857,84

Credit quality per class of financial assets as of December 31, 2007 and 2006 are as follows;

December 31, 2007	Neither past due nor impaired	Past due or individually impaired	Allowance for collective impairment	Total
Due from banks	783,70			783,70
Financial assets designated at fair value through profit or loss	199,55			199,55
Loans and advances to customers	7,556,40	105,69	(52,785)	7,609,31
Corporate lending	4,742,32	30,13	(20,627)	4,751,83
Small business lending	1,572,26	23,19	(12,490)	1,582,97
Consumer lending	974,17	19,05	(10,277)	982,95
Credit Cards	237,37	33,31	(9,391)	261,29
Other	30,25			30,25
Investment Securities	1,629,02			1,629,02
Available for sale	1,621,28			1,621,28
Held to maturity	7,73			7,73
Total	10,168,67	105,69	(52,785)	10,221,58

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27. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

December 31, 2006	Neither past due nor impaired	Past due or individually impaired	Allowance for collective Impairment	Total
Due from banks	1,041,57			1,041,57
Financial assets designated at fair value through profit or loss	89,59			89,59
Loans and advances to customers	5,740,58	30,40	(21,148)	5,749,83
Corporate lending	4,063,90	12,04	(15,383)	4,060,56
Small business lending	910,77	4,95	(1,640)	914,08
Consumer lending	692,65	6,80	(3,811)	695,65
Credit Cards	44,50	6,60	(314)	50,79
Other	28,73			28,73
Investment Securities	1,566,96			1,566,96
Available for sale	1,555,90			1,555,90
Held to maturity	11,05			11,05
Total	8,438,71	30,40	(21,148)	8,447,96

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

	December 31, 2007	December 31, 2006
Loans and advances to customers		
Corporate lending	1,31	4,84
Small business lending		
Consumer lending		
Other		
Total	1,31	4,84

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27. FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk

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

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

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

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

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

	December 31, 2007	December 31, 2006
	%	%
Average during the period	28	29
Highest	34	30
Lowest	20	20

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27. FINANCIAL RISK MANAGEMENT (continued)

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

	Up to 1 Month	1 to 3 Months	3 months to 1 year	Over 1 year	Unallocated	Total
As at December 31, 2007						
Assets:						
Cash and balances with central banks	1,961,15					1,961,15
Deposits with banks and other financial institutions and other money market placements	985,01		3,25			988,31
Financial assets at fair value through profit and loss (*)	1,77	1,69	33,57	162,50		199,55
Investment securities (*)	3,20	107,86	432,45	1,085,38	7	1,629,02
Loans, advances and factoring receivables	4,149,95	842,81	1,257,88	1,785,94	49,21	8,085,82
Minimum lease payments receivable	22,75	32,65	122,55	216,82	7,99	402,76
Derivative financial instruments	8,50	7,59	27,97	94		45,03
Premises and equipment					187,08	187,08
Intangible assets					8,89	8,89
Investment in associates						
Deferred tax asset				57,22		57,22
Other assets	277,21	3			47,60	324,85
Total assets	7,409,51	992,65	1,877,78	3,308,83	300,86	13,889,70
Liabilities:						
Deposits from other banks, customers' deposits, Funds borrowed and other money market deposits	9,573,58	681,04	752,05	855,18		11,861,84
Factoring payables		152,51	17,05			169,60
Derivative financial instruments	58,01	26,49	87,70	90,31		262,51
Other liabilities and provisions	561,77	2,09	14,77	18	15,24	594,07
Income taxes payable			11,38			11,38
Deferred tax liability				1		1
Total liabilities	10,193,31	862,14	882,95	945,65	15,24	12,899,43
Net liquidity gap	(2,783,80)	130,51	994,75	2,363,14	285,62	990,27
As at December 31, 2006						
Total assets	4,587,77	825,96	1,645,25	3,046,37	144,45	10,249,82
Total liabilities	7,188,55	871,19	869,737	659,99	28,50	9,617,98
Net liquidity gap	(2,600,78)	(45,23)	775,52	2,386,38	115,95	631,84

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

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27. FINANCIAL RISK MANAGEMENT (continued)

Analysis of financial liabilities by remaining contractual maturities;

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Adjustments	Total
As of December 31, 2007								
Customers' deposits	1,242,39	5,853,02	457,66	122,70	22,01		(34,64	7,663,14
Deposits from other banks	147,40	346,05	28,50	17			(1,10	521,05
Funds borrowed		1,102,05	283,93	749,13	420,35	582,05	(369,21	2,768,35
Other money market deposits		911,59					(2,25	909,33
Total	1,389,80	8,212,72	770,10	872,01	442,36	582,05	(407,22	11,861,84
As of December 31, 2006								
Customers' deposits	947,78	4,877,35	554,04	150,34	40,37		(32,40	6,537,50
Deposits from other banks	46,91	137,12	4,40				(24	188,20
Funds borrowed		363,63	227,88	713,64	285,05	437,55	(279,33	1,748,45
Other money market deposits		772,54					(1,54	771,00
Total	994,70	6,150,66	786,32	863,99	325,40	437,55	(313,52	9,245,145

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Total
As of December 31, 2007						
Net settled:						
Forward contracts						
Currency Swaps						
Interest rate swaps						
Gross settled:						
Forward contracts	321,95	220,21	465,67	1,35		1,009,19
Currency Swaps	90,84	68,64	831,85	400,55	77,65	1,469,57
Interest rate swaps	21	54	1,75	3,94		6,47
Total	413,00	289,40	1,299,20	405,85	77,60	2,485,23
As of December 31, 2006						
Net settled:						
Forward contracts						
Currency Swaps						
Interest rate swaps						
Gross settled:						
Forward contracts	154,36	173,67	55,42	7,02		390,48
Currency Swaps	127,78	17,75	267,64	585,15	85,45	1,083,81
Interest rate swaps	29	27	1,35	4,80		6,71
Total	282,40	191,71	324,40	597,02	85,45	1,481,01

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27. FINANCIAL RISK MANAGEMENT (continued)

Market Risk

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

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

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

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

Currency Risk

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

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

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

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27. FINANCIAL RISK MANAGEMENT (continued)

Currency Risk (continued)

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

	New				Total
	Turkish Lira	Euro	US Dollars	Other	
As at December 31, 2007					
Assets:					
Cash and balances with central banks	575,45	677,32	702,29	6,07	1,961,15
Deposits with banks and other financial institutions and other money market placements	261,56	172,41	537,20	17,12	988,31
Financial assets at fair value through profit and loss (*)	168,17	12,99	18,37		199,55
Investment securities (*)	1,433,45	5	195,51		1,629,02
Loans and advances, factoring and minimum lease payment receivable and other assets	5,322,75	1,499,24	1,730,58	260,85	8,813,44
Derivative financial instruments	39,26	48	4,02	1,25	45,03
Investment in associates					
Premises and equipment	180,48	6,60			187,08
Intangible assets	8,72	16			8,89
Deferred tax asset	57,22				57,22
Total assets	8,047,10	2,369,29	3,187,99	285,30	13,889,70
Liabilities:					
Deposits from other banks, funds borrowed (except subordinated debt) and other money market deposits	1,971,87	994,69	811,05	36,95	3,814,58
Customers' deposits	3,397,05	1,131,02	3,059,58	75,47	7,663,14
Subordinated debt		189,61	194,51		384,12
Factoring payables	111,85	36,73	7,76	13,26	169,60
Derivative financial instruments	256,80	2,07	2,63	1,00	262,51
Other liabilities and provisions	565,93	18,21	9,56	35	594,07
Income taxes payable	10,73	65			11,38
Deferred tax liability	1				1
Total liabilities	6,314,26	2,373,00	4,085,10	127,05	12,899,43
Net balance sheet position	1,732,84	(3,708)	(897,110)	158,25	990,27
Off-balance sheet position					
Net notional amount of derivatives	(1,073,625)	88,55	941,99	(140,42)	(183,505)
Non-cash loans	1,204,54	593,08	1,205,60	55,10	3,058,34
At December 31, 2006					
Total assets	5,112,772	1,900,403	3,057,221	179,429	10,249,82
Total liabilities	3,968,724	1,864,970	3,631,697	152,593	9,617,98
Net balance sheet position	1,144,048	35,433	(574,476)	26,836	631,84
Off-balance sheet position					
Net notional amount of derivatives	(586,941)	28,567	553,954	(26,369)	(30,785)
Non-cash loans	870,029	614,057	1,110,693	76,538	2,671,31

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

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27. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency sensitivity

The Group is mainly exposed to EUR and USD currencies.

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

	Change in currency rate in %	Effect on profit or loss		Effect on equity	
		Current Period	Prior Period	Current Period	Prior Period
USD	10	(4,488	2,051	(57	(222
EUR	10	(8,485	(6,400	(5,547	(5,116

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

Forward foreign exchange contracts:

The following table details the major forward foreign currency contracts outstanding as at balance sheet date:

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	Average Exchange		Purchase Contracts		Sales Contracts		Fair Value	
	Rate		Original Amount		Original Amount		Rate	
	Curre	Pri	Curre	Pri	Curre	Pri	Curre	Pri
	Peric	Peric	Peric	Peric	Peric	Peric	Peric	Peric
€	1.44	1.29	34,10	4,65	23,91	3,67	(1,23)	(20)
	1.44	1.31	2,12	1,05	1,51	80	(12)	(10)
var	1.44	1.34	4,83	67	3,35	50	(20)	
le	1.19	1.44	113,47	17,13	134,21	24,95	(2,39)	(76)
	1.37	1.62	64,96	2,10	93,85	3,45	(13,57)	(33)
var	1.41		53,15		75,87		(9,21)	
€	1.45	1.31	40,28	34,78	57,70	35,75	1,86	47
	1.45	1.32	3,85	6,56	5,55	4,92	13	(17)
var	1.42	1.33	3,85	6,00	5,54	11,28	22	(6)
le	1.83	2.01	65,76	31,37	119,05	67,14	(4,91)	(7,87)
	1.92	2.01	6,11	4	11,56	8	(69)	(3)
var	1.98		10,25		20,23		(1,17)	
le	1.20	1.47	119,05	109,35	94,82	78,22	8,36	6,24
	1.33	1.54	123,63	10,95	87,71	7,75	15,40	1,05
var	1.37	1.67	124,16	70	91,47	50	10,09	4
		1.65		7,02		5,00		14
le	1.75	1.94	11,86	31,40	6,70	17,09	27	92
	1.86	1.99	3,04	10,98	1,65	5,93	5	22
var	1.91		5,75		3,00		14	

27. FINANCIAL RISK MANAGEMENT (continued)

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 evaluates the exposure for the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flows. Interest rate risk shows the probability of loss related to the changes in interest rates depending on the position.

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

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

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

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Interest rate sensitivity:

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

- Profit for the year would change by TRY 6,643 (2006 - TRY 5,467). The amounts constitute 1.07% of the net interest income for the year 2007 and 1.47% for the year 2006.

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

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27. FINANCIAL RISK MANAGEMENT (continued)

Cash Flow and Fair Value Interest Rate Risk

Interest rate swap contracts

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the balance sheet date:

Outstanding floating for fixed contracts	Currency Type		Average Contracted Fixed Interest Rate (%)		Notional Principal Amount (Original Currency)		Fair Value (TRY)	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
Less than 1 year		USD		3.50		960,000		0
1-2 years		USD	USD	3.75	3.50	2,512,500	1,750,000	0
2-5 years		EUR	USD	4.00	3.75	13,125,000	3,517,500	(6,000,000)
		USD	USD	4.10	4.10	10,000,000	10,000,000	5,000,000
Over 5 years		TRY	TRY	11.00	11.00	10,000	10,000	0
								0

Outstanding fixed for floating contracts	Currency Type		Average Contracted Fixed Interest Rate (%)		Notional Principal Amount (Original Currency)		Fair Value (TRY)	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
Less than 1 year								
1-2 years								
2-5 years								
Over 5 years								

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27. FINANCIAL RISK MANAGEMENT (continued)

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

	Up to 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Non-interest bearing	Total
As at December 31, 2007						
Assets :						
Cash and balances with central banks	1,296,24				664,91	1,961,15
Deposits with banks and other financial institutions and other money market placements	712,85		3,29		272,15	988,31
Financial assets at fair value through profit and loss ^(*)	6,30	47,51	28,69	116,37	66	199,55
Investment securities (*)	298,34	693,99	372,94	263,65	7	1,629,02
Loans, advances and factoring receivables	4,162,75	856,26	1,264,44	1,753,14	49,21	8,085,82
Minimum lease payments receivable	22,73	32,65	122,55	216,82	7,99	402,76
Derivative financial instruments			73	75	43,49	45,03
Premises and equipment					187,08	187,08
Intangible assets					8,89	8,89
Investment in associates						
Deferred tax asset					57,22	57,22
Other assets	21				324,64	324,85
Total Assets	6,499,44	1,630,44	1,792,67	2,350,79	1,616,34	13,889,70
Liabilities:						
Deposits from other banks, customers' deposits, funds borrowed and other money market deposits	8,448,73	766,54	831,48	421,97	1,393,10	11,861,84
Factoring payables		152,51	17,09			169,60
Derivative financial instruments			7,00	24,40	231,10	262,51
Other liabilities and provisions					594,07	594,07
Income taxes payable					11,38	11,38
Deferred tax liability					1	1
Total liabilities	8,448,73	919,05	855,57	446,37	2,229,67	12,899,42
Balance sheet interest sensitivity gap	(1,949,29)	711,39	937,09	1,904,41	(613,33)	990,27
As at December 31, 2006						
Total assets	5,134,93	1,335,48	1,345,34	1,906,35	527,66	10,249,81
Total liabilities	7,237,69	953,99	1,018,67	145,85	261,76	9,617,98
Net interest sensitivity gap	(2,102,75)	381,49	326,67	1,760,53	265,90	631,86

(*) 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, 2007, its capital adequacy ratio on an unconsolidated basis is 14.88% (December 31, 2006 – 14.27%). The Group's consolidated capital adequacy ratio as of December 31, 2007 is 13.30% (2006 - 13.00%).

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27. FINANCIAL RISK MANAGEMENT (continued)

Operational Risk

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

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

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

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

The Compliance Function in Group Companies

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

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

28. 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, 2007	December 31, 2006	December 31, 2007	December 31, 2006
Financial assets				
Loans and advances	7,609,31	5,749,83	7,468,74	5,623,03
Investment securities held-to-maturity	7,73	11,05	7,59	11,62
Minimum lease payments receivable	402,76	323,48	410,71	327,33
Financial liabilities				
Deposits from other banks and funds borrowed	3,289,36	1,936,63	3,289,25	1,930,54
Customers' deposits	7,663,14	6,537,50	7,655,28	6,528,20
Other money market deposits	909,33	771,00	909,36	771,00

Loans and Advances

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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.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Investment Securities Held-to-Maturity

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

Minimum Lease Payments Receivable

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

Deposits and Borrowings

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

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

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

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

December 31,2007	Quoted market	Valuation techniques – marke observable	Valuation techniques – non market observable	Fair value not available
Financial Assets				
Loans and advances		7,468,74:		
Investment securities heldto-maturity	7,59€			
Minimum lease payments receivable		410,71:		
Financial Liabilities				
Deposits from other banks and funds borrowed		3,289,25:		
Customers' deposits		7,655,28:		
Other money market deposits		909,36:		
December 31,2006	Quoted market	Valuation techniques – marke observable	Valuation techniques – non market observable	Fair value not available

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Financial Assets		
Loans and advances		5,623,03
Investment securities held-to-maturity	11,62	
Minimum lease payments receivable		327,33
Financial Liabilities		
Deposits from other banks and funds borrowed		1,930,54
Customers' deposits		6,528,20
Other money market deposits		771,00

29. SUBSEQUENT EVENTS

In the Board of Directors meeting dated February 4, 2008, it has been decided that the issued capital of the parent Bank shall be increased within the registered capital ceiling, from TRY 755,000 to TRY 900,000 by TRY 145,000 in cash.