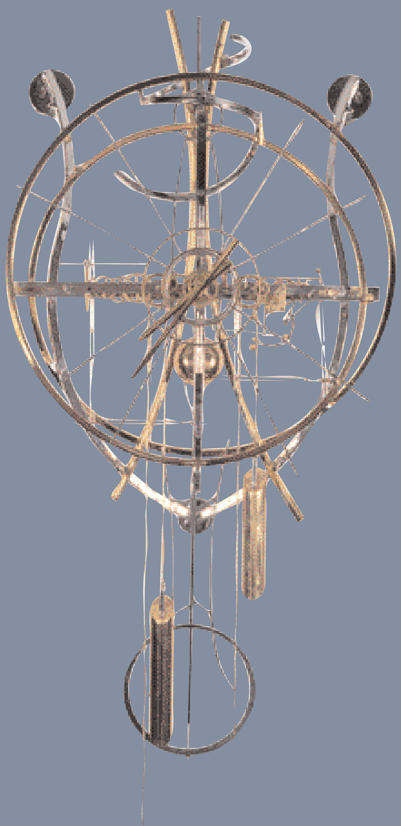
TEB

TÜRK EKONOMİ BANKASI

Annual Report 1999

Contents



Transparent, prompt, correct and well-built.....

These are the attributes that may be associated with both TEB and the state-of-the-art clock that decorates the entrance hall of the Bank.

The clock, a harmonious combination of steel and gold, hangs on a granite wall specifically handcrafted by Kazez, a Swiss master clockmaker and sculptor, for TEB.

The clock is a perfect example of kinetic law and is totally mechanical. Its transparency allows one to clearly see how numerous gears and sprockets move in synchronized rhythms to tell the time. As far as accuracy is concerned, it is compatible only to fine electronic timing mechanisms and has been built to last. The main frame is made of solid steel, symbolizing TEB shareholders with their long and reputable history in the steel industry. Some precious parts are made of gold, signifying the TEB Group for financial services. Through an aesthetic juxtaposition of substance and theory, the clock is a perfect symbol of what TEB represents. Transparent, strong, accurate and prompt in all banking activities.

Bank Profile

TEB attaches great importance to its client relations and to the quality of its services. Its principal strategy is to establish and develop long-term relationships with selected companies and individuals in Turkey by providing them a full range of banking and financial services.

In 1981, Kocaeli Halk Bankası, a small-scale regional bank established in 1927, was acquired by the Çolakoğlu Group in their way toward diversification and gradually developed into a full-service financial institution. Subsequently, the Bank's name was changed to Türk Ekonomi Bankası (TEB), and its services were expanded to cover corporate, commercial as well as private banking. These changes enabled the Bank to offer an increasingly sophisticated range of financial products to private businesses, multinational companies in Turkey and wealthy individuals. During the 1980s, TEB adopted a strategy of specialisation and concentrated on consolidating its financial strengths, with particular emphasis on trade finance and advisory services.

This approach was notably different to the policies adopted by many other Turkish banks, which preferred to grow extensively through building countrywide branch networks.

TEB also pioneered private banking in Turkey throughout 1980s, and was the first bank to provide private banking services through branch offices. In 1995, TEB started to expand its branch network to increase availability of its products for both companies and individuals in economically important cities of the country.

Despite the economic difficulties encountered by Turkey during 1999, TEB boldly expanded its financial services, opened 10 additional branches and implemented technology-based alternative distribution channels. Also, the Commercial Banking Division was divided, with Corporate Banking catering to the needs of large scale and multinational companies, and the Commercial Banking Division serving small- and medium-size domestic companies. The core business lines of TEB are now corporate, commercial, private and retail banking as well as treasury activities.

TEB attaches great importance to its client relations and to the quality of its services. Its principal strategy is to establish and develop long-term relationships with selected companies and individuals in Turkey by providing them a full range of banking and financial services which respond to the needs of the companies, their affiliates, key shareholders and management. TEB constantly improves the quality of its services, considering this more important than expansion for its own sake. At the end of 1999, the Bank had 46 branches located in major traditional and recently emerged business areas of Turkey. Five of these branches are specifically dedicated to private banking. In 1999, ten new branches became operational: seven in Istanbul and three in Izmir, including a call centre specifically designed to answer the needs of retail banking clients. TEB will continue to expand its branch network to meet the needs of

Bank Profile Continued

TEB owes much of the success to the senior management who comply fully with the international standards and ethical values of the banking profession.

its clients and broaden its geographical coverage.

As part of its strategy of building an integrated financial services group, TEB subsequently established TEB Leasing, TEB Investment, TEB Factoring and TEB Insurance. One recent addition to this list of prominent financial institutions is The Economy Bank N.V. in The Netherlands, which became operational in the first quarter of 1999. The creation of these subsidiaries reinforces the importance that TEB places on meeting the diverse financial needs of its clients. Two new additions to its list of subsidiaries in 1999 are: TEB Asset Management and TEB Precious Metals. The Çolakoğlu Group had previously established TEB Research, a unique resource in Turkey. Its research staff provide high quality economic and financial data and analyses to institutional investors in Turkey and worldwide.

1999 was another year of successful financial and operational results for TEB. Thanks to the flexibility of its balance sheet and strong financial position, the reputation of TEB as one of Turkey's strongest banking and financial services groups continued to grow. The recently established subsidiary companies have rapidly gained market share and excellent reputations for the delivery of high quality services. Their strong performance, the synergies between the Bank and its subsidiaries, and the expansion of its branch network has ensured that TEB is increasingly regarded as one of Turkey's most successful integrated banking and financial services group.

TEB owes much of the success to the senior management who comply fully with the international standards and ethical values of the banking profession. Strategic goals and decisions, risks related to the markets, lending and liquidity as well as managerial and implementation issues are reviewed constantly by senior staff.

In early 2000, TEB plans to offer 9.8 million shares of TL 500 nominal value each to both domestic and international investors following a capital increase of 11.36% (corresponding to 5 billion new shares). The free-float shares will be listed and traded on the Istanbul Stock Exchange and as GDRs on the London Stock Exchange and SEAQ International & Portal. The proceeds of the IPO will be mainly used to finance TEB's expansion into the retail sector by accelerating the opening of new branches and by further investing in the Bank's Call Centre.

Financial Highlights (in millions)

	1999		1998		1997	
	US$*	TL	US$*	TL	US$*	TL
Total Assets	1,185	643,259,000	1,044	329,105,000	927	190,965,818
Marketable Securities	312	169,319,000	259	81,686,000	205	42,164,187
Loans, net	211	114,526,000	275	86,655,000	367	75,493,560
Total Deposits	572	310,280,000	611	192,517,000	518	106,755,865
Shareholders' Equity	87	47,105,000	85	26,689,000	61	12,466,309
Interest Income	217	117,923,000	228	71,840,000	186	38,375,217
Interest Expense	(96)	(52,269,000)	(93)	(29,188,000)	(103)	(21,301,699)
Net Income	36	19,388,000	34	10,665,000	25	5,132,212

(*) Converted at the year-end rate of US$ 1 = TL 542,703 for 1999, US$ 1 = TL 315,180 for 1998 and US$ 1 = TL 205,920 for 1997.

Ratios and Key Operational Indicators

	1999	1998	1997
Capital Adequacy (%)	10.10	12.28	10.15
ROE (%)	52.55	54.48	52.39
ROA (%)	3.99	4.10	3.54
Number of Staff	1,408	1,275	1,061
Number of Branches	46	36	32

TEB's Ratings From Major Rating Agencies

Moody's Investors Service

Banking Financial Strength Rating		Long-Term Bank Deposit Rating	
D+	(C)	B2	(B2)

Duff & Phelps

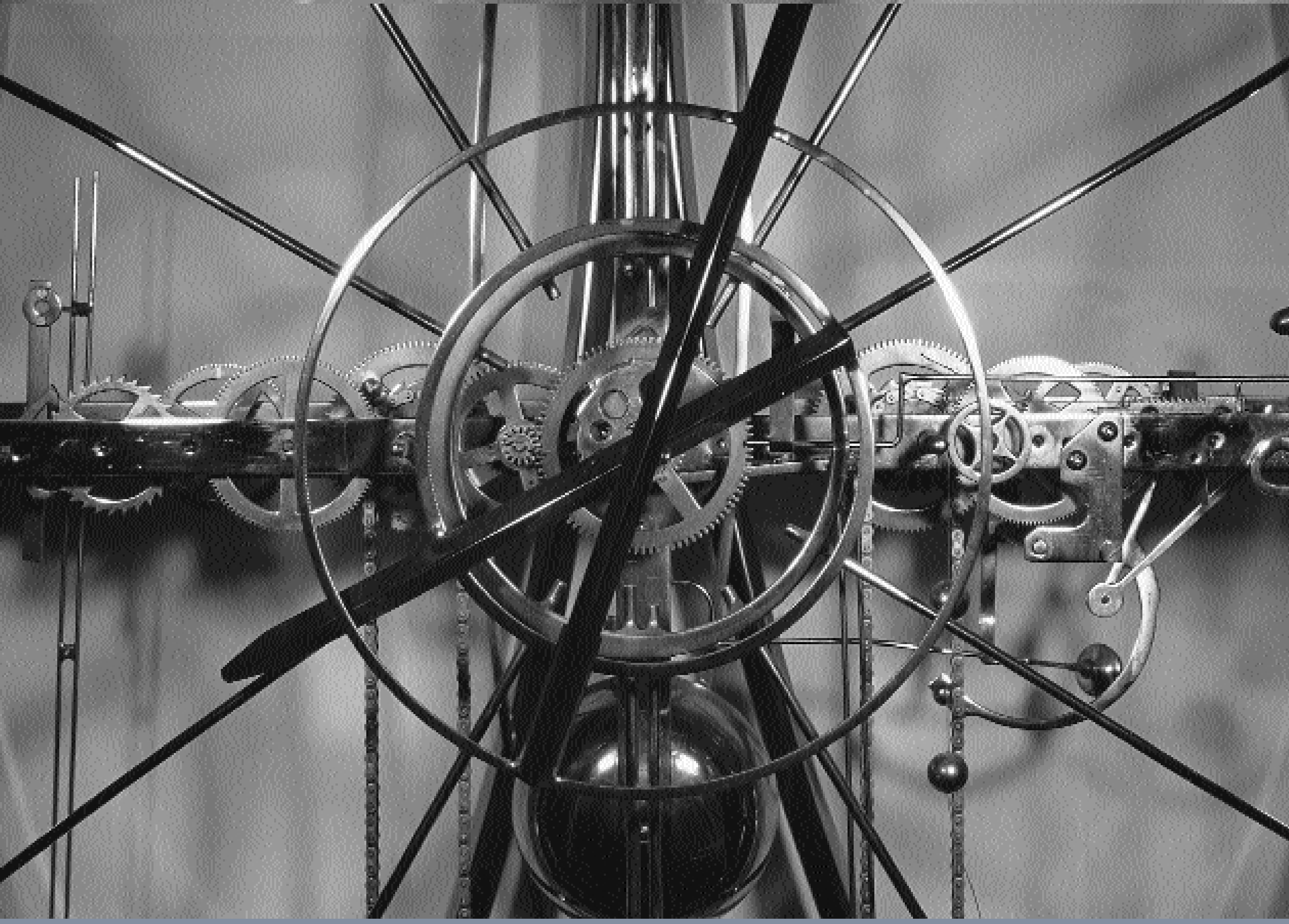
Long-Term Foreign Currency Obligations		Long-Term Local Currency Obligations	
BB-	(BB-)	BBB	(BBB)

Thomson BankWatch

Intra-Country Issuer	Short-Term Local Currency
IC-A/B	LC-1

Note: *Country ceilings are given in parentheses.*

Report of the Board of Directors



The coalition government that came to power proved its decisiveness by a firm grip on budget discipline and by implementing structural reforms.

The government's clear intention to maintain stability in the economy and reduce inflation was indicated by the passing of several important regulations, initiating a programme of on-going structural reform.

The effects of the Far-Eastern financial crisis, which later affected Latin America and finally Russia, started to fade away in 1999. Many of the developing countries recovered, developed countries accelerated their growth, and the USA displayed a strong economic performance.
Turkey remained largely unaffected by the global crisis until mid-1998 when Russia defaulted in her payments. With Russia's failure, there was a loss of confidence in the markets, and Turkey, like many of the other emerging market countries, experienced a capital outflow. Although no major problems were encountered in the balance of payments, owing to a successful implementation of monetary and exchange rate policies, interest rates soared, becoming critical in the uncertain political climate. New tax regulations combined with capital insufficiency and high interest rates led to a contraction of 8.6% in the economy in the first half of the year, the worst in decades.

There was a large increase in public sector spending prior to the general elections held in April. The coalition government that came to power proved its decisiveness by a firm grip on budget discipline and by implementing structural reforms. The Staff-Monitored Agreement that had been signed with the IMF in July 1998 was fully adhered to and opened the way for the stand-by agreement. Just when there were encouraging signs of recovery, the devastating earthquake of August proved disastrous for the economy. The volume of economic activity shrank and the year was closed with a negative 6.4% growth rate.

Despite these difficulties, no problems were faced in the balance of payments for 1999. Because of a declining trade balance, the current account balance showed a minor deficit of only 0.5% of GNP although tourism revenues were badly affected. The Central Bank reserves increased to US$ 23 billion with additional inflow of capital.

While balances in foreign trade could be maintained, there were negative developments in the budget balance. Although there was a surplus in non-interest expenses that amounted to 2% of GNP, the budget deficit reached 11% of GNP, owing to the rapidly increasing interest rates in August 1998. When coupled with a shrinking economy, this development impeded the flow of capital to the real sector. The credits to deposits ratio, which was 72% before the Russian crisis, fell to 43% in 1999.

The government's clear intention to maintain stability in the economy and reduce inflation was indicated by the passing of several important regulations, initiating a programme of on-going structural reform. These included the International Arbitrage Law, the social security reform package, the Banking Law and the agricultural price support program. With the support of the IMF and the three-year stabilisation programme that made way for the stand-by agreement, Government is expected to successfully fight inflation. These measures principally focus on reforming monetary and exchange rate policies, as well as public finance and implementing other structural changes.

Public confidence in the economic programme led to a substantial drop in interest rates while the ISE National-100 Index reached its peak.

Report of the Board of Directors

Continued

Both our balance sheet and the fields of our activity grew in 1999. With 10 new branches and increased synergy between the Bank and its subsidiary financial institutions we have strengthened our footing in the Turkish financial markets.

Furthermore, confidence of the international community considerably increased when Turkey's candidacy to EU was officially approved. It is believed that this development will pave the way for the remaining structural reforms that are crucial for economic improvement. On the threshold of the new millennium, these developments in December 1999 will be seen as the turning point in Turkey's economic history.

The stabilisation program is expected to lead to tangible improvement in the non-interest budget balance of the public sector, decreasing public sector borrowing requirements. With increasing creditworthiness, the cost of international borrowing will drop while maturity will be extended.

The Turkish banking industry learned a hard lesson by what the country had experienced in 1999. The three-year stabilisation program, implemented from 2000 onwards, will usher in a new economic order and inevitably shape the future of Turkish banking. It is expected that real banking activity will be rehabilitated, Treasury's borrowing requirement will diminish, inflation will be reduced, and currency risks will be less of a concern. Transparency, supervision and discipline will increase under the new Banking Law, whilst the application of the Basel Accord standards and conditions will end the unfair competition practice in the industry. These favourable changes will mean new opportunities for TEB, which has controlled its asset growth in expectation of such developments until now, while improving its position in the Turkish banking industry.

Both our balance sheet and the fields of our activity grew in 1999. With 10 new branches and increased synergy between the Bank and its subsidiary financial institutions, we have strengthened our footing in the Turkish financial markets. At the end of the year, our balance sheet total reached US$ 1,185 million, up 17% on the previous year's figure of US$ 1,044 million. Sixty eight percent of our balance sheet total is made up of liquid assets, which is well above the industry average. Our prudent growth policies succeeded in generating TL 30,173 billion in profits before tax: a 100% increase on last year. Inclusive of net profits, shareholders' equity of the Bank reached TL 47,105 billion (US$ 86.8 million) at the end of 1999.

Market, credit and liquidity risks are parts of regular banking activity. TEB is dedicated to a strict risk management process in which all senior managers are actively involved.

Market risk exposure is closely monitored and observed on a daily basis against authorised limits set up by the relevant committee and the Board of Directors. Liquidity risk is monitored by the Assets and Liabilities Committee and regular daily reports are obtained for maturities and future cash flows. Credit risk is monitored and controlled by the Credit Committee and the Credit Control Department. Every new product is approved after the assessment of the risks involved and after adequate accounting and operational procedures and controls are put in place.

Through our well-established prudent credit allocation policies, we succeeded in increasing our cash credits portfolio to TL 114,526 billion, up 32% on the previous year. This amounts to 18% of total assets. Of the

Through our **well-established** prudent credit allocation policies, we succeeded in increasing our cash credits portfolio.

total cash credits, 88% are short-term; 48% are denominated in Turkish lira and 52% in foreign currency. For 73% of the Turkish lira credits, the average term is 0-3 months and 0-6 months for 88% of the foreign currency credits. In addition to our own sources, we continued to use Eximbank's credit lines, where appropriate.

At the end of the year, the non-performing loan ratio stood at 0.5%, which is well below the international standards, this in spite of a sizeable expansion in branches and our client base (as well as the fluctuations in the economy last year). We believe that this low ratio is attributable to the success of our selective and careful credit decisions as well as the close monitoring by the management.

Non-cash credits, which usually are in the form of short-term letters of guarantee for domestic trade transactions, letters of credit and acceptance credits for import transactions, reached TL 253.6 trillion at the end of 1999.

Deposits continued to make up an important funding base for TEB, and reached TL 310,280 billion at the end of the year, rising 61%. Total deposits comprise 48% of total liabilities, and 81% are foreign currency deposits. The average maturity of 95% of the total Turkish lira deposits and 97% of the total foreign currency deposits is 0-3 months.

In 1999, we continued to serve our corporate clients with high quality products and services in the area of international trade. This helped us achieve high volumes of export and import transactions. The value of exports we processed reached US$ 1,077 million, representing 4.1% of Turkey's total exports. Import transactions totalled US$ 1,028 million, amounting to 2.5% of the country's total imports.

Within the context of preparations for the public offering of our shares, the General Assembly of Shareholders, held on 6 July 1999, adopted the registered capital system, and accordingly decided to set the capital ceiling at TL 27.5 trillion.

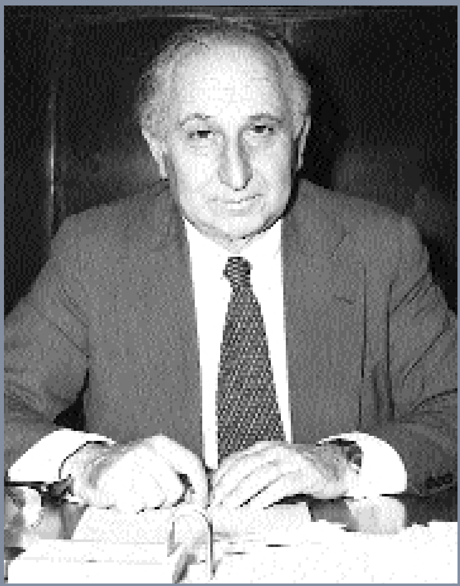
TEB's Capital Adequacy Ratio was 10.1% at the end of 1999, thus considerably exceeding the 8% minimum level set by the Turkish Treasury.

In 1999, we are saddened by the passing away of our long-time Chairman Mr. Şahabettin Bilgisu. Under his leadership, TEB rose to the highest levels of professionalism, becoming a leading financial institution. We will continue to carry his ideals forward.

The Board of Directors would like to express its gratitude to the shareholders and our staff for their unfailing dedication in making 1999 a successful year, despite the various difficulties faced in the country. We are confident that TEB will continue to prosper, and meet the challenges of the future.

These favourable changes will mean new opportunities for TEB, which has controlled its asset growth in expectation of such developments until now, while improving its position in the Turkish banking industry.

In Memoriam



Şahabettin Bilgisu
(1919 – 1999)

Sadness as well as success visited us in 1999. The passing of our long time Chairman (1981-1996) Mr. Şahabettin Bilgisu was a time of sorrow for us all. A man of vision and dedication, he laid the foundations for TEB's solid growth that became one of Turkey's top-rated financial institutions. Under his leadership, TEB rose to the highest levels of professionalism, financial strength and recognition in the international banking community. We will continue to carry his ideals forward.

Board of Directors

Yavuz Canevi, Chairman
Dr. Akın Akbaygil, Vice Chairman, Managing Director and General Manager
Varol Civil, Executive Director and Deputy General Manager
Mehmet Özdeniz, Executive Director
Refael Taranto, Executive Director
İrfan Tınaz, Executive Director
Kayra Akıalp, Director
Prof. Dr. Zafer Z. Başak, Director
Y. Kamil Eyüplü, Director

Hasan T. Çolakoğlu, Adviser to the Board

Hakan Tıraşın, Secretary to the Board

Senior Officers

Meral Arıkan, Assistant General Manager
Ünsal Aysun, Assistant General Manager
Yusuf Gezgör, Assistant General Manager
Funda Hanoğlu, Assistant General Manager
Alparslan Karagülle, Assistant General Manager
Cihat Madanoğlu, Assistant General Manager
Önder Türkkanı, Assistant General Manager
Emre Yalçınkaya, Assistant General Manager
İsmail Yanık, Assistant General Manager

Legal Counsel

Prof. Dr. Seza Reisoğlu
Prof. Dr. Devrim Ulucan

Auditors

A.A. Aktif Analiz Serbest Muhasebecilik Mali Müşavirlik A.Ş.,
Member of Andersen Worldwide

The launching of the three-year stabilisation and **disinflation** programme which **paved the** way to the signing of the **Stand-by Agreement** with the IMF and the granting of candidate status to EU **membership signalled a turnaround in Turkey's fortunes.**

The Turkish Economy

The breakdown of GDP by expenditure indicates that the major reason for the contraction in economic activity in 1999 was the drop in investment which decreased nearly 16% under the adverse effects of high real interest rates and the quakes.

The year 1999 was marked by very significant developments for Turkey, with the general elections held in April and two major earthquakes in August and November, while the economy experienced a 6.4% decline, the greatest post-war contraction. The launching of the three-year stabilisation and disinflation programme which paved the way to the signing of the Stand-by Agreement with the IMF and the granting of candidate status to EU membership signalled a turnaround in Turkey's fortunes.

Turbulence in financial markets due to adverse international financial conditions in the aftermath of the Russian crisis was followed by a domestic political crisis, when corruption allegations in the last quarter of 1998 led to the fall of the Yılmaz government. Capital outflows coupled with political risk resulted in extremely high real interest rates, which initiated a contraction in economic activity to the tune of 8.7% in 1Q99. The economy went through a relative recovery in 2Q99, as the contraction in economic activity slowed down to 3.2%. In the third quarter of the year, while a more pronounced recovery was expected, the earthquake in the Marmara region hit the country, resulting in 7.4% contraction, mainly due to the interruption in production in the quake area, as well as the fears of future tremors that led to a drop in private consumption. Following 6.1% decline in 4Q99, the negative growth of GNP reached 6.4% for the year, amounting to US$ 186 billion. This corresponds to US$ 2,878 in terms of per capita income, down 11.6% on the previous year.

The breakdown of GDP by expenditure indicates that the major reason for the contraction in economic activity in 1999 was the drop in investment which decreased nearly 16% under the adverse effects of high real interest rates and the quakes. Concurrently, private consumption declined by 3.1% in 1999. However, government current expenditures increased mainly after the earthquake, recording 6.5% rise in annual terms. 30% decline registered in overall tourism revenues was also effective on the contraction.

Growth Rates in Expenditure on Gross Domestic Product (%)

	1993	1994	1995	1996	1997	1998	1999
Private Consumption Exp.	8.6	(5.4)	4.8	8.5	8.4	0.6	(3.1)
Public Consumption Exp.	8.6	(5.5)	6.8	8.6	4.1	7.8	6.5
Public Fixed Capital Formation	7.2	(30.8)	(18.8)	24.4	28.4	13.9	(4.1)
Private Fixed Capital Formation	35.0	(10.7)	16.9	12.1	11.9	(8.3)	(19.6)
GDP	8.4	(5.0)	6.7	7.0	7.5	3.1	(5.0)

Source: State Planning Organisation (SPO), State Institute of Statistics (SIS)

Sectoral Real Growth Rates (%)

	1993	1994	1995	1996	1997	1998	1999
Agriculture	(1.3)	(0.7)	2.0	4.4	(2.3)	8.4	(4.6)
Industry	8.2	(5.7)	12.1	7.1	10.4	2.0	(5.0)
Services	9.5	(4.0)	6.3	7.3	8.6	2.4	(5.1)
GDP	8.0	(5.5)	7.2	7.0	7.5	3.1	(5.0)
GNP	8.0	(5.5)	7.2	7.0	7.5	3.9	(6.4)

Source: State Planning Organisation (SPO), State Institute of Statistics (SIS)

On the supply side, industrial value added dropped 5%, compared to 2% growth in 1998, while the services sector contracted by 5.1%. Value added in construction recorded the highest rate of decrease with 12.7%, highly affected by the earthquake. Meanwhile, agricultural output registered 4.6% real contraction, which compares with 8.4% growth the year before.

Wholesale inflation accelerated in 1999 to reach 62.9% from 54.3% in the previous year, while consumer inflation was slightly down from the 1998 figure of 69.7% to 68.8%. In the first months of the year inflation rates maintained their downward trend, due to the economic recession. However, the rise in oil prices worldwide initiated an increase in the general level of prices starting from April. In addition, price hikes in the public sector accelerated towards the end of 1999, to compensate for the lagging adjustments in 1998 which were kept as low as 36%, following the sharp price adjustments in the second half of 1997. In view of the fiscal balances of the State Economic Enterprises, a correction became unavoidable in 1999. Considering the fact that public sector price adjustments would be kept in line with WPI inflation target of 20% in the year 2000, Government accelerated the adjustment of publicly produced goods prices in December, bringing year-on-year increase in public sector prices to 118%.

Annual Inflation (%)

	1993	1994	1995	1996	1997	1998	1999
Wholesale	60.3	149.6	65.6	84.9	91.0	54.3	62.9
Consumer	71.1	125.5	76.0	79.8	99.1	69.7	68.8

Source: State Institute of Statistics (SIS)

Wholesale **inflation accelerated** in 1999 to reach 62.9% from 54.3% in the previous year, while **consumer inflation** was slightly down from the 1998 figure of 69.7% to 68.8%.

Consolidated Budget (January-December, US$ billion)

	1998	1999	Change (%)
Revenue	45.5	45.1	(1.1)
Tax Revenue	35.4	35.2	(0.6)
Non-Tax Revenue	10.2	9.9	(2.7)
Expenditure	59.7	66.6	11.5
Non-Interest	36.0	41.1	14.0
Personnel	14.8	16.4	10.7
Other Recurrent	5.0	5.3	6.1
Investment	3.8	3.7	(4.3)
Transfer	12.4	15.7	26.8
Interest Payments	23.7	25.5	7.6
Primary Balance	9.5	4.0	(58.1)
Budget Balance	(14.1)	(21.5)	51.6

Source: Treasury

Total budget revenue in 1999 amounted to TL 19,000 trillion (US$ 45.1 billion), including TL 4,200 trillion (US$ 9.9 billion) in non-tax revenue, down 2.7% in real terms on the previous year. Notwithstanding the drop from TL 2,373 trillion (US$ 9.5 billion) to TL 1,700 trillion (US$ 4.0 billion), the primary surplus was in excess of the target of TL 1,000 trillion in the Staff Monitored Programme (SMP), and compares favourably with the annual budget forecast of TL 1,200 trillion, later revised to TL 895 trillion, following the earthquake. The reason behind this improvement has been higher tax collection, combined with lower recurrent expenditure.

The overall budget deficit stood at TL 9,044 trillion (US$ 21.5 billion), close to the initial target of TL 9,100 trillion and below the revised target of TL 9,785 trillion. The budget deficit is equal to 11.6% of GNP, and reflects the heavy interest burden, while the primary surplus represents 2.2% of GNP. These figures compare unfavourably with the 1998 performance, when budget deficit to GNP recorded 7% and the primary surplus represented 5% of GNP.

Tax revenue contracted significantly during the first quarter of the year and increased by 5% in real terms in the last quarter. This trend is due to the contraction in economic activity that produced weaker tax revenue towards the end of 1998 and the beginning of 1999. However, as current year's corporate income was made taxable on a quarterly basis in the amended tax code, taxation of both 1998 and 1999

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The Turkish Economy Continued

The negative effect of the quake made itself felt with a 6% contraction in 3Q99.

In 1999, the domestic debt stock increased by TL 11,307 trillion (US$ 5.4 billion) to TL 22,920 trillion (US$ 42.4 billion), i.e., 29% of GNP, up from 23% recorded in the previous year.

Real Change in Consolidated Budget Items (%)

	1Q99	2Q99	3Q99	4Q99
Revenue	(11)	(7)	(5)	5
Tax	(18)	(1)	(6)	8
Other	20	(28)	(1)	(2)
Expenditure	10	10	1	15
Non-interest	24	17	10	3
Personnel	14	9	9	3
Other Recurrent	3	(5)	2	7
Investment	9	2	(4)	(13)
Transfers	41	36	20	9
Interest	(3)	3	(10)	54
Primary Balance	(113)	(62)	(55)	26
Budgetary Balance	55	65	19	67

Source: Ministry of Finance

corporate income bolstered revenues. The negative effect of the quake made itself felt with a 6% contraction in 3Q99. 'Earthquake taxes' were introduced late in the year to offset some of these effects, while most of the proceeds will be collected in the year 2000. On the other hand, the increase in non-interest expenditures decelerated towards year-end. Following the rapid rise in the first quarter of 1999, offsetting the postponed expenditure in 1998, and because of the forthcoming general elections, the year-on-year quarterly increase in non-interest expenditure was limited to 3% in 4Q99. In annual terms, however, the real rise in non-interest expenditure was as high as 12%.

In 1999, the domestic debt stock increased by TL 11,307 trillion (US$ 5.4 billion) to TL 22,920 trillion (US$ 42.4 billion), i.e., 29% of GNP, up from 23% recorded in the previous year. Calculated on the basis of the average TL/US$ exchange rate, net domestic borrowing was near US$ 27 billion. Cautious stance in the international capital markets towards emerging markets following the Russian crisis forced Treasury to depend on domestic borrowing at very high real interest rates. The trend of declining average maturity of outstanding domestic debt stock (down to 13.4 months at end 1998) was reversed. Reflecting the emphasis placed on longer-term bonds, average maturity increased to 16.3 months. The change is even more pronounced, leaving out non-cash sales (mostly to the public sector), whose share dropped from 18.1% to below 12% during the year. Excluding these items, average maturity rose to 11.7 months from 4.6 months at the end of 1998.

Treasury continued to resort to short-term advances only for the mid-month salary payments, while it paid back the advance by the end of the month. Indeed, Treasury has the right to draw from the Central Bank up to TL 570 trillion in the current year 2000.

In 1999, **Central Bank of the Republic of Turkey** pursued a policy consisting of **keeping reserve money**, the indicator of liquidity, **stable around US$ 6.8 billion**, by making **extensive** use of open market operations.

Components of Outstanding Domestic Debt (US$ billion)

	1993	1994	1995	1996	1997	1998	1999
Total	24.7	20.8	22.9	29.3	30.6	37.0	42.4
G-Bonds	13.1	6.2	8.6	11.6	17.4	18.4	36.4
T-Bills	4.5	7.9	10.6	14.2	11.6	18.6	6.0
CB Advance Payments	4.9	3.2	3.2	3.5	1.7	-	-
Parity Difference*	2.2	3.5	0.5	-	-	-	-

**Debt arising from Central Bank's short f/x position*
Source: Treasury

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In 1999, Central Bank of the Republic of Turkey (CBRT) pursued a policy consisting of keeping reserve money, the indicator of liquidity, stable around US$ 6.8 billion, by making extensive use of open market operations. Domestic political turmoil and the financial crisis in Russia resulted in a rapid decrease in CBRT's FX position at the end of 1998. After the formation of an interim government, confidence was partially restored, as Government stood committed to the Staff Monitored Programme with IMF. The outcome of the early parliamentary elections and the resulting three party coalition were well received in the marketplace, and these positive developments favourably affected CBRT's FX position which increased continually in 1999.
Indeed, with rising probability of a stand-by agreement with IMF in the aftermath of the implementation of structural reforms, CBRT's FX position reached the US$ 9 billion mark for the first time in the last 12 months in August, before the Marmara earthquake. During this period CBRT reduced its funding through open market operations, due to FX inflow, thus pursuing a relatively tight monetary policy.

Central Bank Balance Sheet: Selected Items (US$ billion)

	Dec 98	Mar 99	Jun 99	Sep 99	Dec 99
Foreign Assets	23.0	24.8	25.8	27.1	26.9
Domestic Assets	(0.9)	(1.4)	(1.9)	(2.5)	(2.8)
Foreign Exchange Liabilities	20.2	18.9	18.4	18.6	21.1
Central Bank Money	1.9	4.5	5.5	6.0	2.9
Reserve Money	6.6	7.8	6.3	7.0	7.3
Liabilities from OMO	(5.9)	(3.5)	(1.0)	(1.8)	(4.5)
Foreign Exchange Position	2.8	6.0	7.4	8.5	5.7

Source: Central Bank

Monetary Aggregates (US$ billion)

	Dec 98	Mar 99	Jun 99	Sep 99	Dec 99
Currency in Circulation	4.0	5.3	3.7	4.1	4.4
M1	7.4	7.4	7.4	7.4	7.4
M2	34.9	36.3	35.8	40.0	42.0
Foreign Currency Deposits	27.6	26.8	27.4	30.3	32.6
Repo Transactions	7.5	8.2	8.5	9.6	7.3
M2YR	70.1	71.3	71.7	79.8	81.8

Source: Central Bank

The Marmara quake reversed this positive trend for a certain period of time, and CBRT had to supply liquidity in the face of increased cash demand following the disaster. Accelerated devaluation in November and December and fears of Y2K stimulated FX demand towards year-end. However, at the end of 1999, CBRT's FX position amounted to US$ 5.7 billion, exceeding by far the level reached at the end of 1998.

Meanwhile, the year-end net domestic assets (indicator of CBRT position vis-à-vis the public sector and banks) stood at TL 1,400 trillion, below the ceiling set at TL 1,100 trillion in the Staff Monitored Programme, and revised to TL 1,200 trillion in the letter of intent.

The Stand-By Agreement anticipates a crucial role for the CBRT. The Bank has announced the exchange rate depreciation that will be followed in the 12-months period and its intention to trade FX at those rates without restriction. Furthermore, its role in the interbank market and through Open Market Operations (OMO) will be reduced, allowing liquidity fluctuations to affect the interest rate. Liquidity creation will only be contingent on the balance of payments, only.

Regarding developments in monetary aggregates, the annual increase in M2YR, the broad money supply including foreign exchange deposits and repo agreements, amounted to 20% in real terms, against 3% in 1998. This rise was driven by the 22% real increase in total deposits, while the repo volume was down 1%, reflecting the change in investor preferences shifting from declining short-term towards longer-term interest rates.

Notwithstanding 20% real increase in the volume of total deposits, loans dropped 10%. During the last few months in 1998, the slowdown in economic activity, coupled with high yields on Treasury Bills, led to a decline in the credit volume. As a result, loans-to-deposits ratio was

Bank Deposits and Loans (US$ billion)

	Dec 98	Mar 99	Jun 99	Sep 99	Dec 99
TL Deposits *	33.4	33.6	34.7	37.8	39.7
FX Deposits *	27.6	26.8	27.4	30.3	32.6
Loans by Deposit Banks	35.4	33.8	32.6	32.6	31.2

**of residents (excl. banks)*

Source: Central Bank

The **Stand-By** Agreement anticipates a crucial role for the **Central Bank.**

Foreign Trade (US$ billion)

	1993	1994	1995	1996	1997	1998	1999
Exports	15.3	18.1	21.6	23.2	26.3	27.0	26.6
Imports	29.4	23.3	35.7	43.6	48.6	45.9	40.7
Exports/Imports (%)	52.1	77.8	60.6	53.2	54.1	58.8	65.4
Trade Deficit	(14.1)	(5.2)	(14.1)	(20.4)	(22.3)	(18.9)	(14.1)

Source: State Institute of Statistics (SIS)

down to 43% at the end of 1999 from the previous year-end figure of 58%. These figures are considerably below the 72% figure recorded in August 1998, prior to the Russian crisis. Total loans contracted 4% in 1998. The crowding out of the private sector by excessive public borrowing inevitably had a negative effect on economic growth.

In 1999, Central Bank continued to maintain the devaluation of the foreign exchange basket (consisting of US$ 1 and Euro 0.77) in line with inflation at 60.7%. Mainly due to the evolution of US$/DM parity on international financial markets, TL depreciation stood at 71.2% against US$, while it was only 48.0% against Euro.

On the external front, foreign trade deficit narrowed significantly during the first quarter of 1999, with monthly imports declining faster than exports. Hence, in monthly terms the trade deficit during the first quarter reached its lowest level since 1994. During the second quarter, trade deficit started to expand, although remaining below the 1998 figure. As the earthquake did not have a long-lasting impact on foreign trade, there has been a moderate acceleration in September, leading to 5% and 8% respective growth in exports and imports during the last quarter of 1999 compared to the same period the year before. Overall, foreign trade balance showed a deficit of US$ 14,103 million in 1999. Annual imports recorded US$ 40.7 billion, decreasing by 11.4%. This, however, is not surprising, considering the 5% contraction in GDP. On the other hand, exports stood at US$ 26.6 billion, down 1.4%. The decrease in exports started in 1998, just after the Russian crisis, hence pushing the export to import ratio to a high of 85% last January. At year-end, the ratio remained as high as 65.4%.

In 1999, Central Bank continued to maintain the devaluation of the foreign exchange basket (consisting of US$ 1 and Euro 0.77) in line with inflation at 60.7%.

Accelerated contraction in **imports** diminished the trade deficit, and helped to restore **external balances.**

According to the breakdown of goods traded, export of consumer goods and intermediate goods declined by 3.6% and 2.8%, respectively, during 1999. On the imports side, capital goods imports were down by 18%, reflecting the decline in investment. Concurrently, intermediate goods' imports decreased by 10%, due to the recession in the Turkish economy, while consumer goods imports declined by 5% only. Regarding the relatively low rates of contraction in trade figures, despite the poor economic performance in 1999, it is noteworthy to mention the sharp increase in oil prices which contributed to the recovery in trunk trade following the improvement in the Russian economy, an oil exporter.

During 1999, exports to CIS countries dropped by 42.6% as a consequence of the relatively weak demand in the wake of the Russian crisis. Meanwhile, exports to European Union countries improved moderately to US$ 14.3 billion. However, imports from all trading partners declined remarkably, shrinking the annual trade deficit by 25.4% in 1999.

Foreign Trade by Destination (January-December, US$ billion)

	Exports		Imports	
	1999	**1998**	**1999**	**1998**
OECD Countries	18.1	16.9	28.3	33.5
EU	14.3	13.5	21.4	24.1
EFTA	0.4	0.4	0.9	1.2
Other OECD	3.3	3.1	6.0	8.2
Non-OECD Countries	7.8	9.2	11.9	12.0
European Countries	2.8	4.0	4.7	4.7
African Countries	1.7	1.8	1.7	1.8
American Countries	0.2	0.2	0.5	0.7
Middle East Countries	2.2	2.2	2.0	1.9
Other Asian Countries	0.7	0.6	2.4	2.6
Other Countries	0.2	0.3	0.6	0.3
Turkish Free Zones	0.8	0.8	0.5	0.4
Total	26.6	27.0	40.7	45.9

Source: State Institute of Statistics (SIS)

The economic slowdown in the aftermath of the Russian crisis narrowed the current account significantly during the second half of 1998, and continued depressing the deficit to trivial levels during the first quarter of 1999. Accelerated contraction in imports diminished the trade deficit, and helped to restore external balances. Later during the year, economic activity picked up, imports increased and the current account deficit for 1999 reached US$ 1.4 billion, representing 0.7% of GNP, for the year.

Despite shrinkage in the trade deficit, due to the relatively higher contraction of imports compared to exports, the fall in other goods and services, and unrequited transfers led to a minute current account deficit. The drop in tourism revenue, due to uncertainty related to the Ocalan trial, had a negative impact on the current account balance. Net tourism revenues narrowed further in September, due to cancellations following the earthquake in August, totalling US$ 3.7 billion in 1999. In addition, the sharp drop in Other Goods and Services - Other item (US$ 3.2 billion), which includes insurance, freight and non-classified FX revenue appearing in banks' transactions, led to the widening of the current account deficit. On the other hand, the Net Errors and Omissions was again substantial this year. The size of this residual item possibly points to significant levels of unregistered capital flows and difficulties in calculating items such as tourism and trunk trade.

Balance of Payments (US$ million)

	1998	1999	Change (%)
Current Account	1,871	(1,364)	n/m
Foreign Trade Balance	(14,332)	(10,447)	(27)
Exports (FOB)	31,220	29,326	(6)
Trunk Trade	3,689	2,255	(39)
(-) Imports (FOB)	(45,552)	(39,773)	(12)
Invisibles Balance	10,476	3,908	(63)
Tourism (net)	5,423	3,732	(31)
Interest (net)	(2,342)	(3,100)	32
Other (net)	7,395	3,276	(56)
Workers' Remittances	5,727	5,175	(10)
Capital Account	773	4,671	943
Direct Investment	573	138	(76)
Portfolio Investment	(6,386)	3,429	n/m
Long-term Capital	3,985	345	(91)
Short-term Capital	2,601	759	(71)
Net Errors and Omissions	(2,197)	1,899	n/m
Increase in Reserves	447	5,206	1065

Source: Central Bank

Capital inflow in 1999 amounted to US$ 4.7 billion, significantly higher than the US$ 448 million in 1998 due to the substantial capital outflow in the third quarter, after the Russian crisis, yet still below the 1997 figure of US$ 8.6 billion.

Capital inflow in 1999 amounted to US$ 4.7 billion, significantly higher than the US$ 448 million in 1998 due to the substantial capital outflow in the third quarter, after the Russian crisis, yet still below the 1997 figure of US$ 8.6 billion. Portfolio investments reached US$ 3.4 billion by year-end 1999, reflecting successful bond issues by the Treasury in international markets. Increase in reserves reached US$ 5.2 billion, by far exceeding the 1998 figure of US$ 447 million.

In 1999, Turkey's external debt stock rose by US$ 5.2 billion to US$ 111 billion. The declining trend in medium and long-term debt in the first half of the year reversed in the second half, leading to an overall increase of US$ 3.1 billion, reflecting confidence in the new government. The increase came mainly as a result of the non-financial private sector borrowing. Similarly, after having declined to US$ 26.7 billion at the end of 2Q99, short-term debt, the bulk of which is contracted by the private sector, rose to US$ 29.3 billion at the end of the year, representing 26% of the debt stock. The share of the banking sector in short-term debt rose to 45% with US$ 13.2 billion from 41% at the end of 1998.

In 1999, when the economy contracted by 6%, outstanding external debt rose by 5% representing 60% of GNP, which compares with 52% in 1998. The increase in the debt stock would have been higher by US$ 1.8 billion, had cross rates not changed on the previous year.

Following a period of 18 months under the Staff Monitored Programme, Turkey signed a Stand-by Agreement with IMF, the terms of which include the disbursement of US$ 4 billion in reserve support, contingent on periodic review of the progress made in the stabilisation programme.

Outstanding External Debt (US$ million)

	1994	1995	1996*	1997	1998	1999
Total	65,601	73,278	84,123	91,586	106,052	111,215
Medium-and Long-Term	54,291	57,577	63,606	68,952	78,816	81,921
Public Sector	48,147	49,958	51,602	50,180	52,281	50,592
Private Sector	6,144	7,619	12,004	18,772	26,536	31,329
Short-Term	11,310	15,701	20,517	22,634	27,236	29,294
Parity Effect	4,301	1,970	-	-	-	-

** New Series since 1996*

Source: State Planning Organisation (SPO), Treasury

The programme is expected to lead to a **rapid decline in inflation**, and hence, **reduce the** country risk and ultimately **interest rates on Turkish borrowing.**

Three-year Economic Stabilisation Programme

The currently implemented three-year economic stabilisation programme aims at reducing inflation to 25% in 2000, 10% in 2001, and to a single digit from 2002 onwards, and creating an environment conducive to stable economic growth. The programme has three main components. Firstly, the exchange rate serves as a nominal anchor whereby the rate is determined for the next 12-month period in terms of an 'indicative basket' consisting of 1 US$ and 0.77 Euro. Secondly, through the implementation of fiscal policies, a sizeable public sector primary surplus will be obtained, which will reduce the public sector borrowing requirements (PSBR), and subsequently, interest expenses in the medium-term. The program takes a comprehensive view of the public sector's entire fiscal balances, including extra-budgetary funds, local governments, non-financial public enterprises, the Central Bank, and the public sector banks so as to avoid all possible leakages. Last but not least, the programme puts emphasis on structural reforms in several key areas such as agriculture, the banking sector, social security, and fiscal management, to make sure that the success of the programme will be long lasting. The World Bank, for its part, has endorsed the programme, and will provide financial support for structural reforms, including the rehabilitation of the banking sector.

The programme is expected to lead to a rapid decline in inflation, and hence, reduce the country risk and ultimately interest rates on Turkish borrowing. Recovery from the significant worldwide recession and the earthquake, combined with rising consumption and investment expenditures in response to lower interest rates will help achieve the growth target set in the stabilisation programme. Turkey will thus have better access to international capital markets, reducing reliance on domestic borrowing and easing the heavy interest burden. The end of the high inflationary environment will be beneficial to banks concentrating on core banking activities, rather than depending on extraordinary profits arising from government securities.

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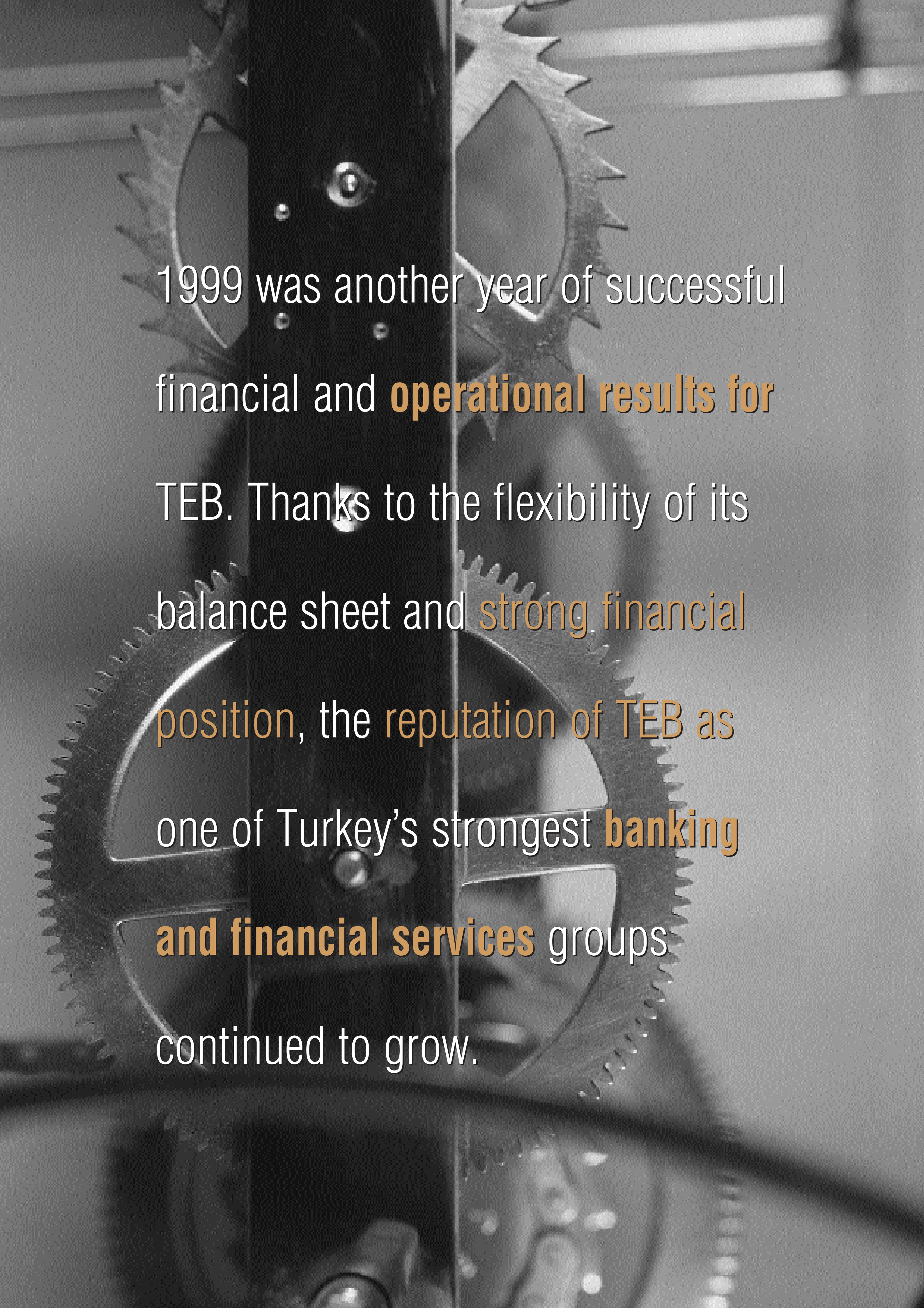

1999 was another year of successful financial and **operational results for** TEB. Thanks to the flexibility of its balance sheet and strong financial position, the reputation of TEB as one of Turkey's strongest **banking and financial services** groups continued to grow.

Review of Operations in

The Corporate Banking Division concentrates on larger scale companies with an annual turnover exceeding a certain level, as well as conglomerates and multinational companies, often requiring complex and sophisticated financial instruments and services.

Corporate Banking

Towards the end of 1999, TEB separated its corporate banking activities into two divisions: Corporate Banking Division and Commercial Banking Division. This separation allows TEB to focus on certain segments of the corporate market thus increasing efficiency and better responding to the diverse requirements of the clients.

The Corporate Banking Division concentrates on larger scale companies with an annual turnover exceeding a certain level, as well as conglomerates and multinational companies, often requiring complex and sophisticated financial instruments and services. TEB further intends to strengthen its presence in the corporate banking segment. Six branches have been designated corporate banking branches of which five are situated in Istanbul, and one in Izmir. Preparations have been completed for the opening of three additional corporate banking branches in Ankara, Adana and Bursa.

The Corporate Banking Division serves the diverse needs of TEB's clients, using an assortment of contemporary financial tools. These include cash management services, investment banking, project finance and foreign trade financing facilities, factoring and leasing in addition to conventional banking practices. The large-scale companies that TEB serves have relatively high expectations, and consequently the services and products the Bank provides are tailored to meet their specific requirements. Likewise, the organisational structure of the corporate banking branches is designed to actively respond to the needs of the most demanding clients. The advisory services available within the Division provide extra value to TEB's clients.

Commercial Banking

As a result of the new set-up in late 1999, the Commercial Banking Division concentrates on smaller-scale local companies. Thirty-two TEB branches have been allocated as commercial banking branches in various locations with ability to attract those smaller scale companies which are financially strong and represent high-growth potential. With this more focused approach, the Division anticipates a more effective penetration of the marketplace in 2000.

Short-term trade finance credits constitute the main line of business of the Division. There are, indeed, many small- and medium-size companies complying with TEB's lending policies, which so far have not had access to TEB's services. Following careful market investigation and financial assessment, long-lasting mutually beneficial relationship will be established with such qualifying companies.

The skill and experience of TEB's staff is sufficient to analyse thoroughly this market segment. Likewise, the Bank possesses the necessary technical infrastructure to store and evaluate information gathered from a variety of reliable sources. The Bank will direct its activities to best meet the needs of this specific client base and will keep a watchful eye on market developments, thus quickly and efficiently adapting to the changing requirements of clients.

Unfailing follower of prudent lending policies, TEB maintains high asset quality while achieving diversification into different industries and geographical regions through its countrywide branch network which will broaden further in the coming years.

Structured Finance

The Structured Finance Division became operational in September 1999 in an effort to provide more customised service to TEB clients. The Division closely monitors international markets, and develops tailor-made solutions that respond to the client's requirements. It remains competitive by observing the trends in financial markets, so as to enhance its own products and services.

The "Check Collection Data Transfer System" has been specifically designed for clients with large-scale **receivables and payments.**

Unfailing follower of prudent lending policies, TEB maintains high asset quality while achieving diversification into different industries and geographical regions through its countrywide branch network which will broaden further in the coming years.

The Structured Finance Division also focuses on commodity finance. With a record of pioneering services to Turkey's traditional export products, tobacco, hazelnuts, dried-fruits and cotton have been introduced to international markets, while self-liquidating export finance for these products is being raised at competitive rates.

The Division follows public sector tenders, informs the clients of the relevant opportunities arising in this market segment, and arranges financing packages from international markets.

Cash Management Services

In an environment characterised by intense competition, traditional banking services including lending need to be complemented by high value-added client-focused services. Likewise, cash management offers attractive opportunities for TEB, uniquely positioning itself in the marketplace.

TEB first started to provide cash management services in April 1997, and since then has extended these activities to cover individuals as well as companies. Cash management services help corporate and commercial clients to manage their time and resources more effectively by organising collections and payments. Companies that sell through a wide network of distributors or regional offices find it often difficult to manage their cash-flows effectively. TEB acts on behalf of such clients by handling both collections and payments, thus enabling a more efficient use of their cash resources.

The number of clients making use of TEB's on-line cash management services through the TEB Access System reached 400 in 1999, up 100% on the previous year. The "Check Collection Data Transfer System" has been specifically designed in 1999 for clients with large-scale receivables and payments. According to the Central Bank's settlement records, the Turkish banking system's check clearance volume increased by 55% in 1999, while the volume of checks cleared by TEB rose by 99% in the same period. This is a clear indication of the benefits, which TEB's cash management services offer to its clients.

In 1999, TEB continued to act as a collection agent for bills, taxes and fees for various official agencies. With TL 247 trillion of actual collection last year, TEB ranked among the top 10 banks in the country providing this service.

Private Banking

TEB has been the pioneer in private banking practice in Turkey and has concentrated on the needs and expectations of its most valued clients ever since. Responding to the specific requirements of its clients, five private banking branch offices became operational, of which four are in Istanbul and there is one in Izmir. These branches focus on direct personalised contact, allowing the account officers to understand better the needs and expectations of the client, their risk-return profile, personal preferences and risk-taking attitude, and consequently to tailor the products and services so as to meet client's requirements.

The target private banking clientele includes owners, shareholders and top level managers of the companies that are covered within the corporate or commercial banking activities as well as their family members. Therefore, corporate and commercial banking activities constitute a significant source of actual and potential private banking clients. As the corporate and commercial banking activities have been expanding, the number of TEB's private banking clients has risen considerably. More than half of the Bank's total deposits in Turkish lira and foreign currencies belong to private banking clients.

It is the policy of the Private Banking Division to add value through the provision of various services. Indeed, adding value may not necessarily be in terms of higher returns only. The quality of service, advice, and evaluations are equally important. The key words that define TEB's private banking operations are: personalised service, confidentiality, trust, expertise, and productivity. TEB's concept of private banking is a unique combination of these indispensable characteristics.

In managing the assets of its clients, TEB takes into account the risk-return expectations of the individual client, his or her financial targets, risk preferences and special conditions. The client's personal investment portfolios are developed and managed accordingly. In the face of the uncertain conditions in emerging markets, TEB strives to maintain and enhance the value of its clients' assets, maximizing yields through the Bank's expert asset management practice. At every step, the client is informed of the changes made in the composition of the portfolios while accruing returns are reported as soon as they materialise.

Private banking clients expect high-level service, while TEB's highly educated and experienced staff aim at perfection, and manages the client's portfolio, using up-to-the-minute information to best advise the client. When advising the client, account officers review TEB's wide ranging investment products and base their recommendation on the analytical reports prepared by TEB Research, an independent research company.

TEB focuses on maximising value through portfolio allocation principles, serving its clients' interests through a variety of investment instruments that include Treasury Bills, Government Bonds and TEB's mutual funds in addition to Turkish lira and foreign currency deposit accounts. In collaboration with TEB Investment, the brokerage house subsidiary of the Bank, clients receive thorough information on recent stock market developments and stock trading services.

Besides the five branches dedicated to private banking, TEB continues to serve the needs of all its clients in all its branches.

Retail Banking

Since May 1997 when TEB commenced retail banking activities, the scope and variety of these services were greatly enhanced by adding new distribution channels with an outstanding brand name and pursuing an assertive marketing programme. In the last quarter of 1999 Call Centre, Interactive Voice Response System and retail branches have been added to the existing network of service outlets. The Call Centre will become active officially in March 2000 with a talented group of more than 20 teleconsultants geared to offer both financial and non-financial services to TEB's clients.

In addition to the Call Centre, the Internet Branch will also be active in retail banking services with an enrichment of product quality and

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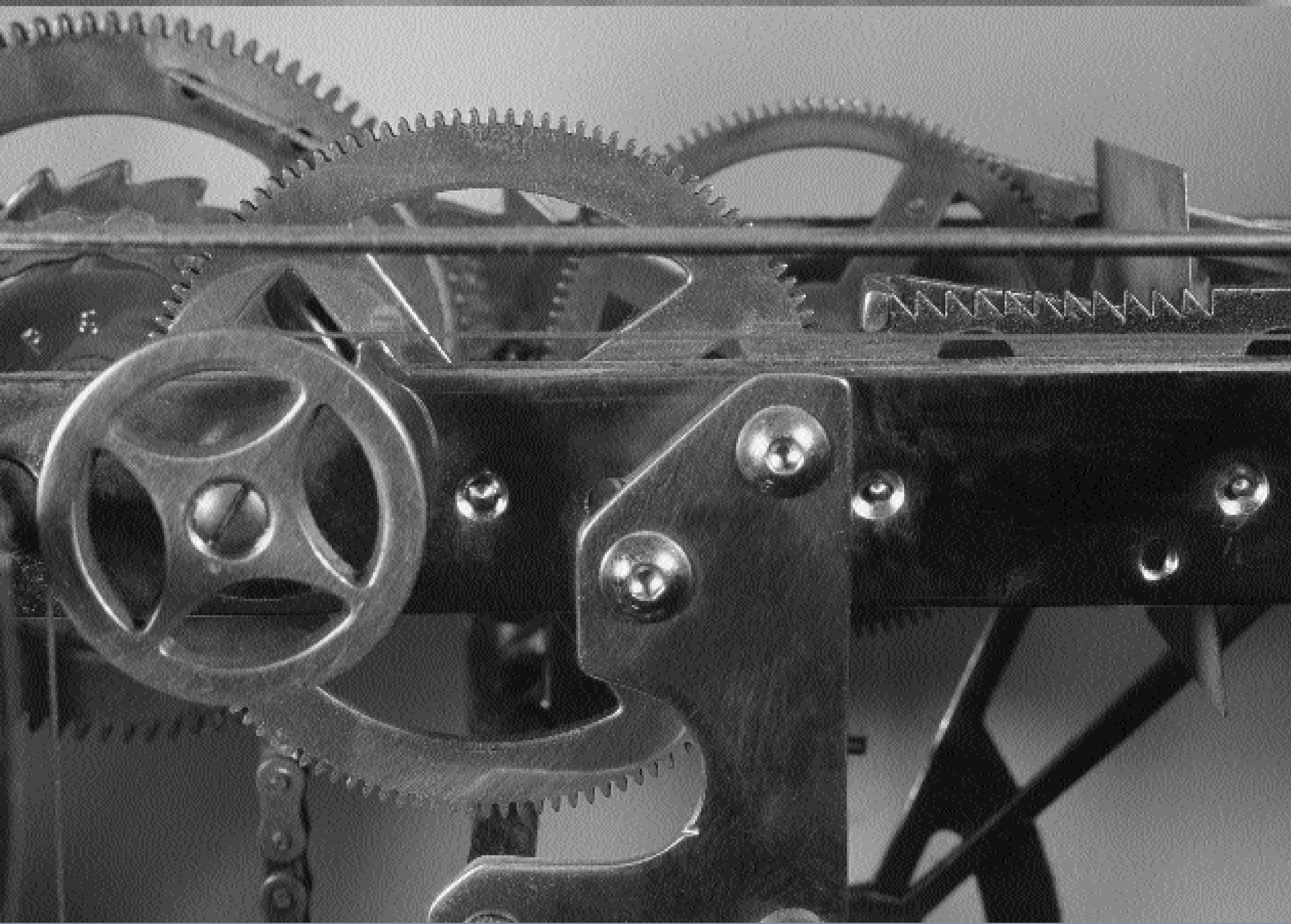
Review of Operations in 1999 Continued



Personalisation and customisation, two key concepts of any Internet service, will be realised on all TEB sites.

TEB provides retail credits at competitive interest rates, offering flexible payment conditions to its clients. Loan applications are processed promptly and attentively, with credit rates tailored to meet the requirements of individual clients.

range. In 2000, new delivery channels such as WAP, SMS banking will be also introduced for the retail clientele.

At the end 1999, the total number of the credit cards issued indicated a 213% increase over the previous year. The total domestic spending volume realised with these cards increased by 161% over the previous year and the number of debit cards issued enrolled a 292% increase in the same period. Included in these numbers are the co-branded cards issued jointly with some prominent clubs and institutions as well as the cards issued to the employees of the companies with which TEB has signed payroll agreements. The number of individuals served under salary payment schemes reached 4,832 by the end of 1999 who are perceived as potential retail clients for the Bank. The leading aim sought from such wholesales activities is to seize cross-selling opportunities. As a result of these efforts, the number of automatic utility payment orders increased by 183%.

Acting as an issuer bank since 1997, TEB will expand its card-related activities in the field of acquiring business toward the end of 2000. With TEB's virtual POS system, e-business providers and consumers will be able to transact their operations in a more secure environment as compared to rivals in the same business.

As a result of tightly conducted benchmark studies, TEB provides retail credits at competitive interest rates with varying flexible payment terms to its clients. Retail credits may be customised according to varying needs of the clients. They may be in the form of education credits, credits for military service fees and special campaign credits at preferential rates and terms. At the end of 1999, outstanding retail credits reached TL 7.1 trillion indicating a 604% increase over the previous year. In addition to retail credits, the number of individuals making use of the overdraft facility increased by 818% in 1999.

In order to increase accessibility to TEB's retail services throughout the country and to give better service to its clients, the number of ATMs available to TEB clients has been increased through ATM sharing agreements with other banks. At the end of 1999, there were more than 2,000 ATMs serving TEB's debit cards and more than 6,000 for TEB's credit cards. Similarly, TEB kiosks will be in service at designated strategic points throughout the country in 2000 to serve more clients with retail banking products.

Internet Business

TEB launched its information-only Internet web site "www.teb.com.tr" in the first half of 1999. The TEB Group set-up a separate "new economy" company TEB Communications in late 1999, which provides the Bank with access to and a firm presence on the Internet and other technology-based media. Within a span of only eight months, this new company successfully initiated and implemented on-line brokerage services and a portal site, "tebweb.net", providing a variety of financial, news, and lifestyle content in addition to value-added services.

In the short run, TEB plans to broaden services and content provided by TEB Communications.

TEB Internet Branch

TEB Internet Branch is a full range on-line banking facility featuring account opening and management, money transfers, FX buying and selling, repo and mutual fund transactions, utility bill and credit card statement dispatching and settlement.

Review of Operations in 1999

In May 1999, TEB received US$ 35 million long-term loan for the second time from the International Finance Corporation. The purpose of this loan is to provide financial support to mainly medium-size companies for their investments.

TEB Investment Internet Branch

TEB Investment Internet Branch is an on-line real time brokerage service for securities traded on the Istanbul Stock Exchange.

TEB Research Periodicals and Reports

Through this facility on the Internet, users can easily access reports by TEB Research, which contain invaluable expertise on Turkish economy and securities markets. Research periodicals and reports are provided in downloadable format so that users may paste them in their own reports and save them for future reference.

International

In 1999, TEB and its corporate clients continued to enjoy the services of approximately 1,000 correspondent banks in 92 countries worldwide. Trade finance activities have been funded partially through correspondent bank facilities matched in terms of currency and maturity as well as general term facilities.

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TEB was also active in the international syndicated loan markets in 1999, and raised two one-year term facilities, totalling US$ 105 million, through syndication deals in August and December. Both transactions were oversubscribed, demonstrating high level of confidence existing within the international banking community for TEB.

TEB has access to export credit programmes provided by various export credit insurance agencies, including Hermes of Germany, Coface of France, ERG of Switzerland and GSM 102 under the CCC's Export Credit Guarantee Programme of the USA, satisfying corporate clients' needs in this respect. TEB has sizable lines available from overseas sources to finance capital goods imports.

After completing the procedural requirements mandated by Dutch banking regulations, The Economy Bank N.V. (TEB NV) commenced operations in Amsterdam in the first quarter of 1999 with an initial emphasis on trade finance activities. Plans call for the inclusion of private banking activities to be added to its array of quality banking services in the near future. TEB NV aims to become 'EU's Leading Turkish Market Specialist' and has so far taken important steps toward fulfilling this objective. TEB NV has enlarged and strengthened the presence of TEB in international financial circles and has greatly facilitated foreign trade transactions at a superb location in the heart of Europe.

Treasury

TEB has proven its reputation for trustworthiness, combining its intrinsic characteristics of integrity with an ability to tackle the unexpected. This contributed to yet another successful year in its treasury activities.

Throughout the year, the treasury team not only focused on exploiting the opportunities born out of the high fluctuations in interest rates (ranging between 150% and 40% prevailing at the end of the year), but also strengthened the market-making position of the Bank, particularly in terms of foreign currency markets. TEB places special emphasis on overnight and Turkish lira markets, and has become one of the leading five banks in forward rate contracts and cash forward transactions. Determined to improve its position as a top Turkish bank, the treasury team has also

TEB has **demonstrated its talents** to benefit from the lessons of the past and to meet the challenges of the future.

developed a prolific on-going programme for launching new treasury-related products.

The Treasury Division in collaboration with the IT Division, has incorporated the latest state-of-the-art systems in its technical infrastructure. Consequently, the progress of in-house systems have given way to a more efficient sensitivity and yield curve analysis that resulted in the generation of higher returns in all three of the markets: fixed income, foreign exchange and money markets.

There are two support units within the Treasury Division besides those carrying out the regular activities. The Risk Control Unit (RCU) is responsible for the overall assessment and management of business risks while the Treasury Marketing Unit (TMU) cooperates with corporate banking units to present a better and more appealing window for the Bank's marketing activities for clients whose requirements are more sophisticated.

With a trading volume of TL 11.4 quadrillion, TEB is one of the top 10 players in terms of outright purchases of Treasury Bills, and subsequent sales on the Istanbul Stock Exchange.

TEB has successfully maintained its share of 37% in the bullion supply market in 1999, as well as its leading role on the Istanbul Gold Exchange handling the highest volume of gold imports. With its gold-based trading facilities, TEB has become a prominent bank of the jewellery industry in Turkey providing specialised financial services.

TEB has assumed the role of bankers' bank for foreign banknote trading in Turkey in terms of volume, serving over 50 banks in the country in 1999.

By combining its professional skills with the Bank's inherent qualities, the treasury team is determined to continue reporting successful results in the coming years. As its current position within the banking community in Turkey shows, TEB has demonstrated its talents to benefit from the lessons of the past and to meet the challenges of the future.

Mutual Funds

As TEB places substantial importance on asset management, the mutual fund business has always been an area where the Bank has been a pioneer in introducing new products. Diversification of distribution channels and enlargement of its client base are the key elements of TEB's expansion strategy in mutual funds.

Since 1993, when TEB introduced its first mutual fund, it has become one of the leading mutual-fund-managing institutions in Turkey. TEB offers a total of six open-end mutual funds of which four are publicly traded and two are dedicated to institutional clients. The management of these funds are subcontracted to TEB Asset Management.

In 1999, TEB continued to strengthen its position in this segment of the financial market in line with its growth strategy. Concurrently, TEB diversified

Throughout the year, the treasury team not only focused on exploiting the opportunities born out of the high fluctuations in interest rates but also strengthened the market-making position of the Bank, particularly in terms of foreign currency markets.

The Operations Centre will help **reduce operational costs while,** at the same time, increasing performance and client satisfaction.

TEB diversified its distribution channels and built a strong brand, based on the Bank's corporate image. The client base is expected to widen considerably in the coming years through technology-based alternative distribution channels.

its distribution channels and built a strong brand, based on the Bank's corporate image. The Internet and the Call Centre are two of the new channels through which TEB's mutual funds are being marketed. A strategic partnership agreement has been signed at the beginning of the year with Citibank on the distribution of TEB mutual funds. This agreement was the result of TEB's strategy to enlarge the distribution network of its funds. The client base is expected to widen considerably in the coming years through strategic partnership agreements and technology-based alternative distribution channels.

Total assets of TEB funds which amounted to US$ 32.5 million as of December 31, 1998, reached US$ 74.4 million at the end of 1999, serving a large number of individual and institutional investors. During the year, TEB organised compelling marketing campaigns targeting both client groups.

All TEB mutual funds have well performed in 1999 and generated US dollar based rates of between a minimum 16% and a maximum 105%, depending on their risk profiles.

In managing the mutual funds, TEB abides with principles purposefully designed to meet the expectations of its clients.

Although the funds are managed by the subsidiary company, TEB Asset Management, the Bank nevertheless exercises a tight monitoring over the operations via a joint committee of executives from the Bank and TEB Investment. The joint committee oversees the performance and sets the basic investment criteria. The overriding principle in fund management is to generate above market-level returns while maintaining a well-balanced portfolio of financial instruments, as well as providing absolute liquidity to the investors. The ability to offer efficient service and highest quality information are other essential features of TEB's mutual funds. The investment policy implementations of the TEB family of mutual funds are closely monitored by the Internal Compliance Department while Arthur Andersen is the independent auditor for all four funds.

Performances of TEB Mutual Funds

Type of Fund	1999 Price Appreciation (in % US$)	1999 Year-end Net Asset Value (US$ million)	1998 Price Appreciation (in % US$)	1998 Year-end Net Asset Value (US$ million)
TEB – Variable A	75.0	25.9	2.0	15.8
TEB – Variable B	16.2	37.9	27.9	13.4
TEB – Composite A	102.5	3.9	(17.8)	1.1
TEBINV – Variable A	71.6	6.7	1.4	2.2

Review of Operations in 1999

Centralised Operations

Foreign trade, lending, and client service operations carried out at branch level are now in the process of being centralised at the Operations Centre. The aim is to produce standardised and prompt service.

The Operations Centre is designed with unique characteristics to reflect the traditional set of TEB values with respect to efficiency and attention to details. It will help reduce operational costs while, at the same time, increasing performance and client satisfaction.

Information Technology

Having completed the operational applications in information technologies, 1999 saw TEB stressing Decision Support Systems (DSS). This was made possible by TEBIS, a banking software system that was developed in stages between 1992 and 1998 when it became fully operational.

TEBIS is a banking software application developed in-house by TEB's own staff. It operates on an Oracle database in a client/server architecture, and aims at increasing work efficiency and greater service quality. Through this client-focused system, statistical data covering both clients and transactions are first gathered and then transferred to the main system for evaluation purposes. It provides the base for the Bank's decision-making systems.

1999 was also the year, which saw the implementation of some major projects, developed internally by TEB. These include TEB Call Centre, TEB Interactive Voice Reply System (IVR), CTI, document viewing and infrastructure for workflow applications, giving faster, more efficient, secure and broader service to individual clients. An Internet Banking system, which enables retail as well as cash management clients to conduct banking business from a distance, also became operational during the year.

Another DSS system, which calculates client profitability more objectively, has also been developed. The workflow and requirements of retail and commercial clients have been analysed, and systems enabling cross-selling have been developed and put into service at the related operational units of the Bank. In addition, systems relating to treasury, correspondent transactions and branch operations have been developed and implemented.

Throughout 1999, TEB continued to invest in information technology infrastructure. Wide area communication network (WAN) has been completely overhauled, adopting a more efficient and modern IP-only structure. More than half of the servers in the branches as well as the user equipment have been replaced, and new versions of the package programmes have been installed. These measures reflect TEB's traditional commitment to using the latest technology so as to enhance efficiency.

The Y2K issue had long been resolved with appropriate measures taken in the course of the previous years. In 1999, all systems were tested and an emergency plan was prepared which was assessed by an independent consultant to be excellent.

Organisational changes in Information Technology and Software Divisions became necessary as the Bank's core business lines expanded and its product and service types increased.

Having completed the operational applications in information technologies, 1999 saw TEB stressing Decision Support Systems. This was made possible by TEBIS, a banking software system that was developed in stages between 1992 and 1998 when it became fully operational.

The Human Resources Project that had been initiated in 1998, under the consultancy of Bank of America, started to bear fruit in 1999. All job descriptions within the new organisational structure were rewritten, and a scoring system was adopted to enable better remuneration within TEB.

The workload on these divisions increased and necessitated technological changes in the infrastructure, which were efficiently and promptly implemented.

Human Resources and Training

This past year was an important period for TEB's human resources management. The Human Resources Project that had been initiated in 1998, under the consultancy of Bank of America, started to bear fruit in 1999. All job descriptions within the new organisational structure were rewritten, and a scoring system was adopted to enable better remuneration within the Bank. The performance evaluation system was renewed as a target-based system. Bonus will be given to those with high performance.

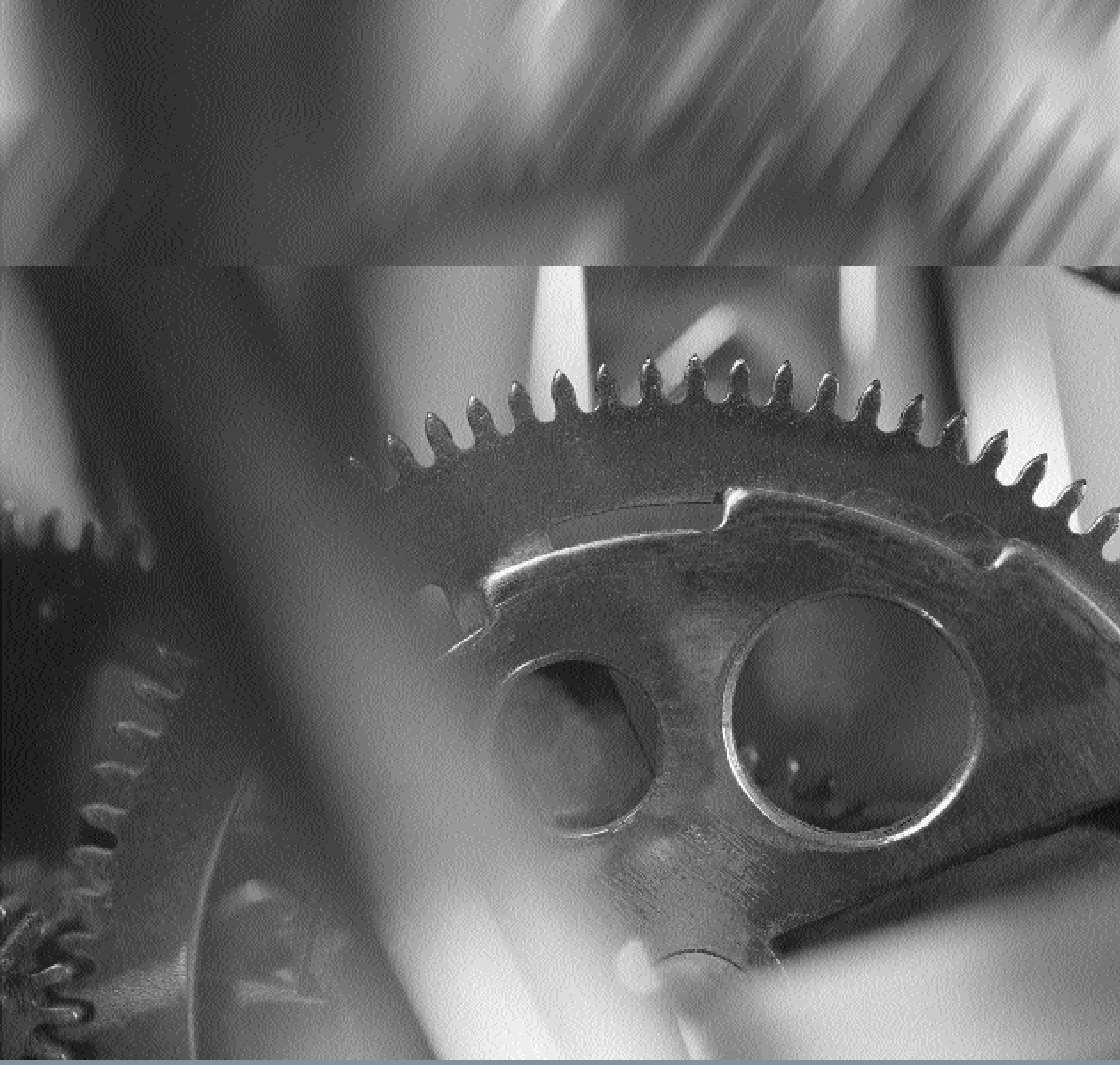
In 1999, the organisational structure was streamlined, with job titles reduced significantly. To cope with this fast changing environment, the Human Resources Division had to restructure its internal organisation, as well.

With the addition of 10 new branch offices, the number of personnel increased to 1,408. Those with a university or a higher academic degree make up 57% of the total. Meanwhile, the personnel turnover ratio decreased by 9% over the previous year, evidence of staff satisfaction and loyalty.

In-house training programmes in 1999, amounted to a total of 3,205 hours, representing 43 hours of training time per employee. Three hundred and ninety participated in training programmes organised by professional institutions in Turkey and 40 participated in professional training programmes overseas while two participated in overseas English training programmes. The training programmes covered both technical and personal skills development issues that were geared to adapting the employees to the rapidly growing and changing environment of the Bank. In addition to these regular training programmes, new recruits participated in the Management Trainee programme organised during the year. The overall number of participants in TEB's training programmes reached 4,675 during 1999.

An incentive system has been developed to increase information sharing among the staff and to promote personal enhancement. Employees are encouraged to make proposals regarding the operations of the Bank with rewards attached to appropriate proposals.

The Human Resources Division will continue, next year, the project regarding career planning, initiated in November 1999, and will focus on new projects such as career-based training programmes, wage and incentive systems, and expanding the management orientation programmes to the subsidiaries organised for the first time in 1999.



TEB attaches great value to personal relationships with clients.

Subsidiaries

TEB Investment enjoys a significant origination capacity for corporate finance transactions and has the financial capacity to underwrite securities.

TEB N.V.
(The Economy Bank N.V.)

TEB N.V., a wholly owned subsidiary of TEB, became operational in Amsterdam, The Netherlands, in 1999 with the expectation that growing synergy will gradually emerge from the activities of the TEB Group of Companies and TEB N.V., the last European outpost.

The Bank offers foreign trade finance, corporate banking, private banking and correspondent banking services. The presence and availability of TEB financial services beyond national borders is yet another indication of TEB synergy to remain close to the client. It aims to be the "Turkey Specialist" in the EU market.

TEB N.V. has a paid-up capital of EUR 18.5 million, of which 100% belongs to TEB.

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

TEB Investment is the Bank's investment banking subsidiary, providing investment banking, fixed income and equity securities brokerage and asset management services to Turkish and international institutional and retail investors.

TEB Investment enjoys a significant origination capacity for corporate finance transactions and has the financial capacity to underwrite securities.

TEB Investment has a paid-up capital of TL 1,000 billion, of which 74.8% belongs to TEB.

TEB Leasing
(TEB Finansal Kiralama A.Ş.)

The Bank's long-term equipment financing subsidiary, TEB Leasing provides financial leasing services to corporate clients investing in equipment. In the relatively short period of time following its establishment in 1997, the Company has been able to secure itself a leading position in the sector in terms of financial aggregates. Its business philosophy is to identify the adequate financing method that responds to the particulars of the investment.

TEB Leasing has a paid-up capital of TL 1,400 billion, of which 50% belongs to TEB.

TEB Factoring
(TEB Factoring A.Ş.)

As a further step towards the Bank's objective of becoming a fully integrated financial services group, TEB Factoring was established in 1997 to provide both domestic and foreign trade factoring services. A member of FCI - Factors Chain International, TEB Factoring is entitled to take part in export-related and forfaiting transactions.

TEB Factoring has a paid-up capital of TL 1,250 billion, of which 45% belongs to TEB.

TEB Insurance
(TEB Sigorta A.Ş.)

Through its non-life insurance subsidiary, TEB Insurance, the Bank provides risk cover to corporate clients ranging from fire to marine and from accident to engineering.

TEB Insurance has a paid-up capital of TL 500 billion, of which 50% belongs to TEB.

Varlık Investment Trust
(Varlık Yatırım Ortaklığı A.Ş.)

Varlık Investment Trust is a closed-end mutual fund whose shares are traded on the ISE. The Company was incorporated in early 1998 following the approval of the Turkish Capital Markets Board.

Varlık Investment Trust has a paid-up capital of TL 500 billion, of which 24.4% belongs to TEB.

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

The management of TEB's mutual funds, which was the responsibility of TEB Investment until January 2000, was then turned over to the recently founded TEB Asset Management, with a view to enhance efficiency. TEB Asset Management is one of the country's larger fund managers with an extensive on-line distribution capacity on the Internet and has a marketing agreement with Citibank.

TEB Asset Management has a paid-up capital of TL 400 billion, of which 56% belongs to TEB.

TEB Precious Metals
(TEB Kıymetli Madenler A.Ş.)

A new comer to the TEB family of financial institutions in 1999, TEB Precious Metals is involved in the importation and domestic trading of precious metals.

TEB Precious Metals has a paid-up capital of TL 100 billion, of which 40% belongs to TEB.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 1999 AND 1998

TOGETHER WITH AUDITORS' REPORT

A.A.
AKTİF ANALİZ
SERBEST MUHASEBECİLİK MALİ MÜŞAVİRLİK A.Ş.
MEMBER OF ANDERSEN WORLDWIDE

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

1. We have audited the accompanying consolidated balance sheets of Türk Ekonomi Bankası Anonim Şirketi (the Bank-a Turkish corporation) and consolidated subsidiaries as of December 31, 1999 and 1998 and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

2. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

3. In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of Türk Ekonomi Bankası Anonim Şirketi and consolidated subsidiaries at December 31, 1999 and 1998, and the consolidated results of operations and cash flows of Türk Ekonomi Bankası Anonim Şirketi and consolidated subsidiaries for the years then ended, in accordance with the accounting principles required by the Undersecretariat of the Treasury and the Central Bank of the Republic of Turkey (CMB Principles) (see Note 2).

4. These accounting principles differ from International Accounting Standards (IAS) and so far as such differences apply to the financial statements of the Bank they relate to the application of IAS 29 (Financial Reporting in Hyperinflationary Economies), application of IAS 12 (Accounting for Taxes on Income), accounting for marketable securities sold under repurchase agreements, accounting for retirement pay liabilities and accounting for discretionary management bonuses on cash basis. The effects of such differences have not been quantified in the accompanying financial statements.

5. The format of the accompanying financial statements presented in accordance with CMB, is different from the statutory format prescribed by the Turkish Undersecretariat of Treasury and the Central Bank of Turkey for the purpose of convenience of the readers.

A.A. AKTİF ANALİZ
SERBEST MUHASEBECİLİK MALİ MÜŞAVİRLİK ANONİM ŞİRKETİ
Member of Andersen Worldwide

Nazan Somer

İstanbul,
February 23, 2000
(except for Note 22, for which
the report date is February 24, 2000).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 1999 AND 1998
(Currency - Billions of Turkish lira)

ASSETS	1999	1998
CASH AND CURRENT ACCOUNTS WITH BANKS (Note 5)	44,421	27,388
CALL AND TIME DEPOSITS WITH BANKS (Notes 5 and 19)	285,874	85,454
INTERBANK FUNDS SOLD (Notes 6 and 19)	15,250	5,000
FACTORING RECEIVABLES (Note 10)	20,243	5,788
RESERVE DEPOSITS AT CENTRAL BANK (Note 7)	30,510	19,740
MARKETABLE SECURITIES (Notes 8 and 19)	190,038	94,777
LOANS, net (Notes 9, 18 and 19)	219,758	85,874
LEASE CONTRACTS RECEIVABLES, net (Notes 10, 18 and 19)	19,839	16,046
ACCRUED INTEREST INCOME AND OTHER ASSETS	41,599	19,251
EQUITY PARTICIPATIONS, net (Note 8)	890	5,404
PREMISES AND EQUIPMENT, net (Note 11)	8,165	4,178
Total assets	876,587	368,900

LIABILITIES AND SHAREHOLDERS' EQUITY	1999	1998
DEPOSITS (Notes 12, 18 and 19):		
Demand	53,588	53,128
Time	360,551	111,356
Total deposits	414,139	164,484
FUNDS BORROWED FROM BANKS (Notes 13 and 19)		
Local banks	29,088	10,771
Foreign banks	299,610	101,386
ACCRUED INTEREST AND OTHER LIABILITIES (Note 15)	51,932	27,035
COMMERCIAL PAPER ISSUED (Notes 14 and 19)	-	26,226
MINORITY INTEREST PAYABLE	5,575	1,739
TAXES PAYABLE:		
Taxes on income (Note 16)	13,178	268
Other taxes	2,621	1,385
Deferred income tax (Note 16)	2,855	6,136
Total liabilities	818,998	339,430
SHAREHOLDERS' EQUITY:		
Share capital (Note 17)	22,000	12,500
Revaluation surplus (Note 11)	1,496	1,044
Legal and general reserves (Note 20)	6,934	2,914
Current year net income	27,159	13,012
Total shareholders' equity	57,589	29,470
Total liabilities and shareholders' equity	876,587	368,900
CONTINGENCIES AND COMMITMENTS (Notes 18 and 21)		
Guarantees given	237,782	160,017
Commitments (repo)	120,211	34,137
Forward commitments	1,076,468	258,256
	1,434,461	452,410

The accompanying notes are an integral part of these balance sheets.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Currency - Billions of Turkish lira)

	1999	1998
INTEREST INCOME:		
Interest on loans	46,314	32,886
Fees and commissions on loans	556	1,111
Interest on marketable securities, net	53,724	23,739
Interest on deposits with banks	40,485	16,166
Other interest income	21,457	12,087
	162,536	85,989
INTEREST EXPENSE:		
Interest on funds borrowed	(26,445)	(11,143)
Interest on local currency deposits	(20,343)	(14,900)
Interest on foreign currency deposits	(23,164)	(6,401)
Other interest expense	(1,228)	(219)
	(71,180)	(32,663)
Net interest income	91,356	53,326
PROVISION FOR POSSIBLE LOAN LOSSES (Note 9)	(291)	(881)
Net interest income after provision for possible loan losses	91,065	52,445
FOREIGN EXCHANGE GAIN/(LOSS), net	(36,130)	(17,987)
OTHER OPERATING INCOME:		
Income from banking services	5,138	2,133
Marketable securities trading income/(expense), net	14,991	2,271
Other income	7,029	235
	27,158	4,639
OTHER OPERATING EXPENSES:		
Salaries and employee benefits (Note 15)	(17,774)	(9,135)
Administration expenses and other	(15,453)	(8,123)
Taxation other than on income	(2,181)	(1,052)
Depreciation and amortization (Note 11)	(1,919)	(855)
	(37,327)	(19,165)
Income before provision for income tax and minority interest	44,766	19,932
PROVISION FOR INCOME TAX (Note 16)		
Current	(17,174)	(268)
Deferred	3,266	(5,378)
Income before minority interest	30,858	14,286
MINORITY INTEREST	(3,699)	(1,274)
Net income	27,159	13,012

The accompanying notes are an integral part of these statements.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Currency - Billions of Turkish lira)

	Total	Share Capital	Revaluation Surplus	Legal Reserves	General Reserves	Current Year Net Income
Balances, December 31, 1997	12,900	5,500	341	1,152	350	5,557
Dividends paid	(3,880)	-	-	-	-	(3,880)
Increase in paid-in share capital	6,394	6,394	-	-	-	-
Transfers to:						
- Legal reserves	-	-	-	961	-	(961)
- General reserves	-	-	-		716	(716)
Share capital increase:						
- Transfers from revaluation surplus	-	341	(341)	-	-	-
- Transfers from general reserves	-	265	-	-	(265)	-
Revaluation surplus, net	1,044	-	1,044	-	-	-
Current year net income	13,012	-	-	-	-	13,012
Balances, December 31, 1998	29,470	12,500	1,044	2,113	801	13,012
Dividends paid	(8,692)	-	-	-	-	(8,692)
Increase in paid-in share capital	8,169	8,169	-	-	-	-
Transfers to:						
- Legal reserves	-	-	-	1,923	-	(1,923)
- General reserves	-	-	-	-	2,397	(2,397)
Share capital increase:						
- Transfers from revaluation surplus	-	1,031	(1,031)	-	-	-
- Transfers from general reserves	-	300	-	-	(300)	-
Revaluation surplus, net	1,483	-	1,483	-		
Current year net income	27,159	-	-	-	-	27,159
Balances, December 31, 1999	57,589	22,000	1,496	4,036	2,898	27,159

The accompanying notes are an integral part of these statements.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Currency - Billions of Turkish lira)

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	27,159	13,012
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	1,919	855
Provision for loan losses	291	1,060
Provision for retirement pay, net	218	53
(Decrease)/increase in deferred income taxes	(3,281)	5,374
Increase in current taxes payable	12,910	989
Net decrease in other assets and liabilities	4,019	6,351
Net increase in funds borrowed from banks	216,541	48,230
Net (increase) in loans	(134,175)	(11,338)
Net increase in deposits	249,655	67,305
Net (increase) in interbank funds sold	(10,250)	(4,200)
Net (increase) in call and time deposits with banks	(200,420)	(41,664)
Net (increase) in reserve deposits at Central Bank	(12,919)	(7,454)
Net (increase) in lease receivables	(3,793)	(10,061)
Net (increase) in factoring receivables	(14,455)	(3,894)
Net cash provided by operating activities	133,419	64,618
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease/(increase) in government bonds funding legal reserves	2,149	(943)
Net (increase) in marketable securities	(95,261)	(51,882)
Purchase of premises and equipment, net	(4,875)	(1,910)
Purchase of shares of equity participations	4,514	(5,153)
Net cash (used in) investing activities	(93,473)	(59,888)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (decrease)/increase in commercial paper issued	(26,226)	8,969
Dividends paid	(8,692)	(3,880)
Share capital cash increase	8,169	6,394
Increase in minority interest payable	3,836	1,595
Net cash (used in)/provided by financing activities	(22,913)	13,078
NET INCREASE IN CASH AND DUE FROM BANKS	17,033	17,808
CASH AND DUE FROM BANKS AT BEGINNING OF THE YEAR	27,388	9,580
CASH AND DUE FROM BANKS AT END OF THE YEAR	44,421	27,388

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

a) The cash paid by the Bank for interest and income taxes and the cash received as interest during the years ended December 31, 1999 and 1998 were as folows:

Interest expense	51,992	20,262
Income taxes	268	108
Interest income	143,348	80,431

b) For purposes of the statements of cash flows, the Bank considers cash on hand and current accounts with banks as cash and cash equivalents.

The accompanying notes are an integral part of these statements.

(Currency - Billions of Turkish lira unless otherwise indicated)

(1) COMPANY'S ACTIVITIES:

Türk Ekonomi Bankası Anonim Şirketi (the Bank) was originally incorporated in 1927. In 1982 the Bank was acquired by the Çolakoğlu Group and renamed as Türk Ekonomi Bankası A.Ş.. The Bank remains under the control of the Çolakoğlu Group and is a medium size bank with 46 branches as of December 31, 1999.

The subsidiaries of the Bank and the direct and effective shareholding percentages of the Bank in them at December 31, 1999 and 1998 were as follows:

	1999			1998		
Investee	Cost	Direct Share-holding (%)	Effective Share-holding (%)	Cost	Direct Share-holding (%)	Effective Share-holding (%)
The Economy Bank N.V.	10,085	100.0	100.0	5,008	100.0	000.0
TEB Yatırım Menkul Değerler A.Ş.	748	74.8	87.0	308	88.0	95.0
TEB Finansal Kiralama A.Ş.	714	51.0	53.0	255	51.0	56.0
TEB Factoring A.Ş.	563	45.0	49.0	225	45.0	50.0
TEB Sigorta A.Ş.	250	50.0	50.0	250	50.0	50.0
Petek International Holdings B.V.	247	100.0	100.0	-	-	100.0
TEB Portföy Yönetimi A.Ş.	224	56.0	89.0	-	-	-
Varlık Yatırım Ortaklığı A.Ş.	122	24.4	32.0	122	24.4	33.0
TEB Kıymetli Madenler A.Ş.	40	40.0	45.3	-	-	-
TEB Funding Corporation I	27	100.0	100.0	16	100.0	100.0
TEB Funding Corporation II	27	100.0	100.0	16	100.0	100.0

As of December 31, 1999 and 1998, the financial statements of TEB Finansal Kiralama A.Ş. (TEB Leasing), TEB Yatırım Menkul Değerler A.Ş. (TEB Menkul-formerly TEB Yatırım A.Ş.), TEB Factoring A.Ş. (TEB Factoring), TEB Funding Corporation I and TEB Funding Corporation II have been consolidated. As of December 31, 1999, The Economy Bank N.V. (Economy Bank), and Petek International Holdings B.V. (Petek International), have also been consolidated. As of December 31, 1999 and 1998, the financial statements of TEB Sigorta A.Ş., Varlık Yatırım Ortaklığı A.Ş. and TEB Portföy Yönetimi A.Ş. and as of December 31, 1998, Economy Bank have not been consolidated as the results of these companies did not have a significant effect on the financial statements of the Bank as of the respective years. Petek International was established in December 1999 and its results were consolidated as of December 31, 1999 as the results of operations of this company was significant. TEB Kıymetli Madenler A.Ş., established in 1999, has not been consolidated in the accompanying financial statements as of December 31, 1999 as its results did not have a significant effect on the financial statements of the Bank.

The principal activities of the consolidated subsidiaries are as follows:

TEB Leasing - Leasing of industrial machinery, office equipment, various equipment and transport vehicles (incorporated in Turkey).

TEB Menkul - Rendering brokerage and investment banking services to customers in line with the rules of the Capital Market Board of Turkey (incorporated in Turkey).

TEB Factoring - Providing factoring services to industrial and commercial enterprises in Turkey (incorporated in Turkey).

TEB Funding I and II - Finance companies that issue commercial paper and lend funds to the Bank (incorporated in the Cayman Islands).

The Economy Bank - Commercial bank, which deals mainly with trade and commodity finance (incorporated in the Netherlands).

Petek International - Private holding company (incorporated in Netherlands).

The operations of the Bank and the subsidiaries located in Turkey are mainly with local customers.

The composition of the Group's operations by consolidated companies at December 31, 1999 and 1998 are as follows:

	Bank	TEB Menkul	TEB Leasing	TEB Factoring	TEB Funding I-II	Economy Bank	Petek International	Eliminations	Consolidated Total
December 31, 1999									
Total assets	643,576	18,849	43,815	49,726	372	144,120	2,600	(26,471)	876,587
Net interest income/net revenues	64,910	5	15,090	9,014	242	3,322	-	(1,518)	91,065
Net income/(loss)	19,923	2,404	5,258	1,750	93	716	2,353	(5,338)	27,159
December 31, 1998									
Total assets	329,105	9,792	23,170	15,875	26,438	-	-	(35,480)	368,900
Net interest income/net revenues	41,771	1,687	5,561	3,435	334	-	-	(343)	52,445
Net income/(loss)	10,665	855	1,851	844	10	-	-	(1,213)	13,012

(2) BASIS OF PRESENTATION OF FINANCIAL STATEMENTS:

The Bank and its consolidated subsidiaries (except for TEB Funding I and II, Economy Bank and Petek International which maintain their books of account and prepare their financial statements in accordance with the statutory requirements in their respective countries of incorporation) maintain their books of account and prepare their statutory financial statements in Turkish lira in accordance with the Turkish Commercial Code, Banking Law, Capital Market Board and tax regulations.

In 1996, the Central Bank of Turkey (Central Bank) introduced a new chart of accounts and certain accounting standards for banks in Turkey. Furthermore, the Turkish Undersecretariat of Treasury (the Treasury) requires banks to comply with certain accounting and reporting standards. These requirements differ from International Accounting Standards (IAS). These differences, so far as they apply to the Bank, principally relate to accounting for the effects of hyperinflation, accounting for marketable securities sold under repurchase agreements, accounting for retirement pay liabilities, accounting for discretionary management bonuses on a cash basis and deferred taxation. The effects of such differences have not been quantified herein.

Certain reclassifications have been made to the 1998 financial statements for comparative presentation purposes with the December 31, 1999 financial statements.

(3) PRINCIPLES OF CONSOLIDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(i) Principles of Consolidation:

The principles of consolidation followed in the preparation of the accompanying consolidated financial statements are as follows:

(a) The balance sheets and statements of income of consolidated subsidiaries are consolidated on a line-by-line basis, and the carrying value of investments held by the Bank is eliminated against the related shareholders' equity accounts.

(b) All significant intercompany transactions and balances between consolidated companies have been eliminated.

(c) The minority shareholders' share in the net assets and results for the years ended December 31, 1999 and 1998, have been pre sented as minority interest payable and minority interest in the accompanying consolidated balance sheets and statements of income, respectively.

(d) For the purpose of consolidation, the US dollar financial statements of TEB Funding I and TEB Funding II incorporated in the Cayman Islands, the EURO financial statements of Economy Bank and NLG financial statements of Petek International incorporated both in the Netherlands have been translated to Turkish lira in accordance with the accounting policy explained in section (ii)-(d) below.

(Currency - Billions of Turkish lira unless otherwise indicated)

(1) COMPANY'S ACTIVITIES:

Türk Ekonomi Bankası Anonim Şirketi (the Bank) was originally incorporated in 1927. In 1982 the Bank was acquired by the Çolakoğlu Group and renamed as Türk Ekonomi Bankası A.Ş.. The Bank remains under the control of the Çolakoğlu Group and is a medium size bank with 46 branches as of December 31, 1999.

The subsidiaries of the Bank and the direct and effective shareholding percentages of the Bank in them at December 31, 1999 and 1998 were as follows:

	1999			1998		
Investee	**Cost**	**Direct Share-holding (%)**	**Effective Share-holding (%)**	**Cost**	**Direct Share-holding (%)**	**Effective Share-holding (%)**
The Economy Bank N.V.	10,085	100.0	100.0	5,008	100.0	000.0
TEB Yatırım Menkul Değerler A.Ş.	748	74.8	87.0	308	88.0	95.0
TEB Finansal Kiralama A.Ş.	714	51.0	53.0	255	51.0	56.0
TEB Factoring A.Ş.	563	45.0	49.0	225	45.0	50.0
TEB Sigorta A.Ş.	250	50.0	50.0	250	50.0	50.0
Petek International Holdings B.V.	247	100.0	100.0	-	-	100.0
TEB Portföy Yönetimi A.Ş.	224	56.0	89.0	-	-	-
Varlık Yatırım Ortaklığı A.Ş.	122	24.4	32.0	122	24.4	33.0
TEB Kıymetli Madenler A.Ş.	40	40.0	45.3	-	-	-
TEB Funding Corporation I	27	100.0	100.0	16	100.0	100.0
TEB Funding Corporation II	27	100.0	100.0	16	100.0	100.0

As of December 31, 1999 and 1998, the financial statements of TEB Finansal Kiralama A.Ş. (TEB Leasing), TEB Yatırım Menkul Değerler A.Ş. (TEB Menkul-formerly TEB Yatırım A.Ş.), TEB Factoring A.Ş. (TEB Factoring), TEB Funding Corporation I and TEB Funding Corporation II have been consolidated. As of December 31, 1999, The Economy Bank N.V. (Economy Bank), and Petek International Holdings B.V. (Petek International), have also been consolidated. As of December 31, 1999 and 1998, the financial statements of TEB Sigorta A.Ş., Varlık Yatırım Ortaklığı A.Ş. and TEB Portföy Yönetimi A.Ş. and as of December 31, 1998, Economy Bank have not been consolidated as the results of these companies did not have a significant effect on the financial statements of the Bank as of the respective years. Petek International was established in December 1999 and its results were consolidated as of December 31, 1999 as the results of operations of this company was significant. TEB Kıymetli Madenler A.Ş., established in 1999, has not been consolidated in the accompanying financial statements as of December 31, 1999 as its results did not have a significant effect on the financial statements of the Bank.

The principal activities of the consolidated subsidiaries are as follows:

TEB Leasing - Leasing of industrial machinery, office equipment, various equipment and transport vehicles (incorporated in Turkey).

TEB Menkul - Rendering brokerage and investment banking services to customers in line with the rules of the Capital Market Board of Turkey (incorporated in Turkey).

TEB Factoring - Providing factoring services to industrial and commercial enterprises in Turkey (incorporated in Turkey).

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The Economy Bank - Commercial bank, which deals mainly with trade and commodity finance (incorporated in the Netherlands).

Petek International - Private holding company (incorporated in Netherlands).

The operations of the Bank and the subsidiaries located in Turkey are mainly with local customers.

The composition of the Group's operations by consolidated companies at December 31, 1999 and 1998 are as follows:

	Bank	TEB Menkul	TEB Leasing	TEB Factoring	TEB Funding I-II	Economy Bank	Petek International	Eliminations	Consolidated Total
December 31, 1999									
Total assets	643,576	18,849	43,815	49,726	372	144,120	2,600	(26,471)	876,587
Net interest income/net revenues	64,910	5	15,090	9,014	242	3,322	-	(1,518)	91,065
Net income/(loss)	19,923	2,404	5,258	1,750	93	716	2,353	(5,338)	27,159
December 31, 1998									
Total assets	329,105	9,792	23,170	15,875	26,438	-	-	(35,480)	368,900
Net interest income/net revenues	41,771	1,687	5,561	3,435	334	-	-	(343)	52,445
Net income/(loss)	10,665	855	1,851	844	10	-	-	(1,213)	13,012

(2) BASIS OF PRESENTATION OF FINANCIAL STATEMENTS:

The Bank and its consolidated subsidiaries (except for TEB Funding I and II, Economy Bank and Petek International which maintain their books of account and prepare their financial statements in accordance with the statutory requirements in their respective countries of incorporation) maintain their books of account and prepare their statutory financial statements in Turkish lira in accordance with the Turkish Commercial Code, Banking Law, Capital Market Board and tax regulations.

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(2) BASIS OF PRESENTATION OF FINANCIAL STATEMENTS:

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(c) The minority shareholders' share in the net assets and results for the years ended December 31, 1999 and 1998, have been pre sented as minority interest payable and minority interest in the accompanying consolidated balance sheets and statements of income, respectively.

(d) For the purpose of consolidation, the US dollar financial statements of TEB Funding I and TEB Funding II incorporated in the Cayman Islands, the EURO financial statements of Economy Bank and NLG financial statements of Petek International incorporated both in the Netherlands have been translated to Turkish lira in accordance with the accounting policy explained in section (ii)-(d) below.

As of December 31, 1999 and 1998, the consolidated subsidiaries accounted for deferred taxation in full based on the liability method and applying the estimated effective tax rates applicable.

(h) Trust Assets:

Assets that are held by the Bank and its consolidated subsidiaries in fiduciary, agency or custodian capacities for its customers are not included in the accompanying consolidated balance sheets, since such items are not assets of the Bank and its consolidated subsidiaries.

(i) Securities Under Resale or Repurchase Transactions:

Obligations relating to purchases or sales of securities under agreements of resale or repurchase are recognized as commitments. These transactions are short-term and entirely involve government securities. Any gain or loss resulting from such transactions is reflected in the statement of income under marketable securities trading income, (net).

(j) Retirement Pay:

Provision for retirement pay liability is computed and reflected in the financial statements on a current basis as it is earned by the serving employees based on the sample method of computation included in the accounting principles required by the Central Bank. The consolidated subsidiaries provide for retirement pay liability in full. Such liability is settled in full upon termination of employment by the respective employees. The computation of the liability is predicated upon the retirement pay ceiling announced by the Government.

(k) Commercial Paper Issued:

The commercial paper issued is stated at face value less amortized discounts. The discounts, representing the difference between the face value and the net proceeds from the sale of commercial paper, are amortized over the term of the issue.

(l) Financial Instruments:

Derivatives:

In the normal course of business, the Bank is a party to forward, future and currency swap agreements (derivatives), which are carried in off-balance sheet accounts.

Such agreements are mainly entered into for hedging purposes. The gains and loses resulting from these transaction are recorded over the life of the hedging instruments.

The resulting accrued gain and loss is reflected in other assets and other liabilities, respectively, in the accompanying balance sheets.

(m) Differences of Applied Accounting Principles from Accounting Principles Identified By Capital Market Board:

The Bank maintains its books of account and prepares its financial statements in accordance with the accounting principles defined by the Treasury and the Central Bank (UCA) under the Banking Law, which are accepted by the Capital Market Board as the accounting principles for banks. For the purposes of consolidation, in accordance with the decree of the Treasury on consolidation, the financial statements of the consolidated subsidiaries, which maintain their books of account and prepare their financial statements in accordance with the Turkish Commercial Code and tax regulations, have also been adjusted to conform with such standards where necessary.

The main differences between UCA accounting principles and the accounting principles defined in Decree Number XI/I of the Capital Market Board (Decree on Principles and Rules with respect to Financial Statements and Reporting in Capital Markets-the Decree) which are applicable for non-banking entities are as follows:

Reserve for Retirement Pay - Article 42 of the Decree requires full reserve against retirement pay liability outstand ing at any period/year ends. The Bank, provides the retirement pay liability in accordance with UCA as indicated in j) above. The reserve amount computed as such and the maximum liability of the Bank are disclosed in Note 15. The consolidated subsidiaries provide for retirement pay liability in full.

Deferred Tax Liability - The Bank recorded deferred tax liability for the years ended December 31, 1999 and 1998 in accordance with the requirements of the Treasury as explained in detail in Note 16.

(4) INSURANCE COVERAGE:

As of December 31, 1999 and 1998, the total insurance coverage including the Bankers' Blanket is TL16,347 and TL8,895, respectively. In addition, marketable securities held in custody of İMKB Takas ve Saklama Bankası A.Ş. (Istanbul Stock Exchange Custody and Clearance Bank) are insured by "Takasbank Şemsiye Sigortası" (Umbrella Insurance).

(5) CASH AND CURRENT ACCOUNTS AND CALL AND TIME DEPOSITS WITH BANKS:

The details of cash and current accounts and call and time deposits with banks are as follows:

	1999	1998
Foreign currency cash, current, call and time		
Deposit accounts with banks (excluding Central Bank):		
- Overnight placements	3,403	20,487
- Time deposits (*)	176,338	25,024
- Others	40,573	23,339
Call accounts (2 day) at the Central Bank - foreign currency	43,975	17,114
Total foreign currency	264,289	85,964
Turkish lira cash, current, call and time		
Deposit accounts with banks (excluding Central Bank)		
- Overnight placements	1,504	4
- Time deposits	60,654	22,825
- Others	2,814	3,691
Cash at the Central Bank - Turkish lira	1,034	358
Total Turkish lira	66,006	26,878
Total	330,295	112,842

	1999	1998
Foreign currency placements:		
Maturity range	January 3, 2000 - December 13, 2000	January 4, 1999 - February 1, 1999
Interest rate range	2%-15%	3%-17%
Turkish lira placements:		
Maturity range	January 3, 2000 - July 31, 2000	January 4, 1999 - January 22, 1999
Interest rate range	46%-105%	66%-158%

(*) Such amounts are mainly placed in European and United States banks.

At December 31, 1999, blocked cash at foreign banks amounted to US$1.4 million bearing an interest rate of 4.5% per annum and to be released on February 25, 2000.

(6) INTERBANK FUNDS SOLD:

As of respective year-ends, placements at the interbank money market governed by the Central Bank of Turkey are as follows:

	1999	1998
Amount (TL)	15,250	5,000
Maturity range	January 3, 2000 - March 13, 2000	January 4, 1999
Interest rate range	53.00%-69.75%	78.75%

(7) CENTRAL BANK:

Reserve Deposits:

	1999	1998
Reserve deposits		
- TL	859	2,806
- Foreign currency	29,651	14,785
Government bond account funding legal reserves	-	2,149
	30,510	19,740

According to the regulations of the Central Bank, banks are obliged to reserve a certain portion of their deposits other than interbank deposits. Such reserves are deposited with the Central Bank. As of December 31, 1999 (1998 - 11%) reserve deposit rates applicable for foreign currency and Turkish lira deposits are 11% and 6% (1998 - 8%), respectively.

According to the Turkish Banking Law, banks are required to deposit an amount equal to their legal reserves with the Central Bank in a special government bond account. As of December 31, 1998, the government bond account funding legal reserves earned interest at 119.79%. As of December 31, 1999, as a result of the change in the Turkish Banking Law, this obligation was removed from the Law.

(8) INVESTMENTS:

Investments comprise equity participations and marketable securities.

Equity Participations

The details of the equity participations are as follows:

	1999		1998	
Investee	Amount	% (*)	Amount	% (*)
The Economy Bank N.V.	-	-	5,008	100.00
TEB Sigorta A.Ş.	250	50.00	250	50.00
Varlık Yatırım Ortaklığı A.Ş.	191	24.40	142	24.40
TEB Portföy Yönetimi A.Ş.	399	100.00	-	-
TEB Kıymetli Madenler A.Ş.	47	40.00	-	-
Others	3	-	4	-
Total	890		5,404	

(*) Represent direct shareholding percentage of the Bank.

The investments in the newly established group companies in 1999 and 1998 represent shares acquired at cost, which equal their nominal values. As of December 31, 1999 and 1998, the financial statements of TEB Sigorta A.Ş., Varlık Yatırım Ortaklığı A.Ş. and TEB Kıymetli Madenler A.Ş. and TEB Porftöy Yönetimi A.Ş. (December 31, 1999 only) have not been consolidated, as the results of these subsidiaries did not have a significant effect on the financial statements of the Bank as of such dates. Also, as of December 31, 1998, the financial statements of The Economy Bank N.V. have not been consolidated with the financial statements of the Bank as this subsidiary was established in November 1998 and its 1998 results did not have a significant effect on the financial statements of the Bank.

Marketable Securities

The details of the marketable securities at December 31, 1999 and 1998 are as follows:

	1999	1998
Available for sale:		
Government bonds and treasury bills issued by the Turkish Government	7,578	1,265
Gold	77	100
Share certificates	57	-
Held to maturity:		
Turkish lira		
Treasury bills issued by the Turkish Government	162	11,016
Government bonds issued by the Turkish Government	50,253	7,377
Investment funds	1,945	640
Foreign currency (*)		
Foreign currency bonds issued by the Turkish Government	54	4,733
Foreign currency bonds	2,714	-
Eurobonds issued by the Turkish Government	87,923	69,541
Share certificates	38,863	-
Foreign currency investment funds	358	-
Other	54	105
Total	190,038	94,777

(*) Turkish lira equivalent converted at prevailing year-end rate of exchange.

The carrying values of the marketable securities issued by the Turkish government held to maturity for investment purposes differ from market values. The following table summarizes such differences.

The marketable securities held to maturity for investment purposes are those that the Bank intends to hold until maturity. Accordingly, no provision has been made in the accompanying financial statements for carrying values exceeding current market values.

	1999			1998		
	Carrying Value (*)	Central Bank Reserve Values	Market Value (Approximate) (***)	Carrying Value (*)	Central Bank Reserve Values	Market Value (Approximate) (***)
Treasury bills and government bonds issued by the Turkish government	50,637	50,559	50,734	19,568	16,352	17,712
Eurobonds	89,783	(**)	87,245	70,822	(**)	68,262
Foreign currency bonds	2,781	(**)	-	-	-	-
Foreign currency bonds issued by the Turkish government	54	54	54	4,896	4,796	4,682
Share certificates	38,863	(**)	48,306	-	-	-

(*) Including cost plus accreted discounts or accrued coupon interest (included in accrued interest income and other assets).
(**) Values are not announced for these types of securities by the Central Bank.
(***) Istanbul Stock Exchange (ISE) Bond Market for TL treasury bills and government bonds, London market values for Eurobonds and other foreign currency government bonds and treasury bills have been taken as basis in computation of market values.

The following table summarizes marketable securities that were deposited as collaterals with respect to various banking transactions:

	1999		1998	
	Nominal	Carrying Value	Nominal	Carrying Value
(foreign currency in millions)				
As part of a structured transaction (*)				
Eurobonds issued in JPY	JPY6,849	JPY7,091	JPY11,294	JPY11,683
- TL equivalent	-	TL37,663	-	TL29,880
Eurobonds issued in DM	DM170	DM175	DM178.8	DM182.8
- TL equivalent	-	TL48,709	-	TL34,104
Eurobonds issued in US$	-	-	US$0.751	US$0.751
- TL equivalent	-	-	-	TL196
Share certificates in US$	US$70	US$84	-	-
- TL equivalent	-	TL38,863	-	-
Deposited against activities in the ISE			-	-
- Government bonds	TL765	TL668	TL610	TL439
Deposited at Central Bank (government bonds and treasury bills)				
- Interbank transactions	TL22,000	-	TL7,000	TL6,123
- Repurchase transactions	-	-	TL4,248	TL3,801
- Foreign currency money market transactions	TL7,000	-	-	-
- TL equivalent	-	-	-	-
- Reserve requirements	-	-	TL6,496	TL5,435
	-	-	US$15	US$15
- TL equivalent	-	-	-	TL4,796

(*) These marketable securities are held as collaterals against funds borrowed from foreign banks.

(9) LOANS:

a) Loans comprise the following:

	1999	1998
Short-term loans	195,862	81,385
Medium-term loans	24,666	5,113
Loans in arrears	574	429
	221,102	86,927
Less: Reserve for loans in arrears	(574)	(429)
Less: Reserve for possible loan losses	(770)	(624)
Loans, net	219,758	85,874

As of December 31, 1999 and 1998, foreign currency loans amount to TL159,169 and TL53,913, respectively.

Loans by industry groups excluding loans in arrears are as follows at December 31, 1999 and 1998:

	1999	1998
Ready-to-wear textiles	15,765	8,520
Other textiles	16,198	15,738
Food, beverage, tobacco	18,016	10,799
Chemicals and chemical products	11,607	5,198
Financial markets	48,166	3,763
Metals	16,751	7,386
Wholesale, retailing	15,220	5,763
Fiber, plastic	4,976	2,389
Transportation	4,371	2,255
Tourism	3,304	1,612
Electricity and optic devices	23,145	1,370
Mining, other than metals	2,415	1,060
Construction	2,551	978
Fuel products	2,105	873
Leather and leather products	1,849	1,704
Wood products	3,429	1,075
Others	30,660	16,015
	220,528	86,498

b) Loans in arrears and reserve for possible loan losses:

As of December 31, 1999 and 1998 the breakdown of loans in arrears according to guarantee groups and the related reserves provided are as follows:

	1999		1998	
Group of Guarantee	**Amount**	**Reserve Provided**	**Amount**	**Reserve Provided**
Without guarantee	71	(71)	24	(24)
Group I guarantee	-	-	-	-
Group II guarantee	-	-	-	-
Group III guarantee	503	(503)	405	(405)
	574	(574)	429	(429)

Changes in the reserve for loans in arrears and reserve for possible loan losses were as follows:

	1999	**1998**
Balance, at beginning of year	1,053	172
Provision for possible loan losses	469	364
General loan provision	235	624
Recoveries and reversals related to items for which reserve was provided in prior years	(413)	(107)
Balance, at end of year	1,344	1,053

(10) LEASE CONTRACTS RECEIVABLES AND FACTORING RECEIVABLES:

Lease contracts receivables consist of rental receivable over the terms of the leases. The rentals are receivable as follows:

Years	**1999**	**1998**
1999	-	14,884
2000	17,223	3,952
2001	5,347	743
2002	2,087	149
2003	1,388	-
2004	956	-
2005	94	-
	27,095	19,728
Reserve for possible lease receivable losses	(291)	(234)
Gross lease receivables	26,804	19,494
Less: Unearned interest income	(6,965)	(3,448)
	19,839	16,046

As of December 31, 1999 and 1998 foreign currency denominated gross lease contracts receivable amount to TL18,024 and TL15,180.

As of December 31, 1999 and 1998, the factoring receivables comprise domestic and foreign receivables amounting to TL17,174 (1998 - TL3,407) and TL3,069 (1998 - TL2,240), respectively.

(11) PREMISES AND EQUIPMENT:

Premises and equipment comprise:

	1999	1998
Cost, as revalued:		
Buildings	2,169	1,442
Motor vehicles, furniture, fixtures and office equipment		
and leasehold improvements	9,601	4,641
	11,770	6,083
Less - Accumulated depreciation and amortization	(3,605)	(1,905)
Net book value	8,165	4,178

In accordance with Turkish laws and regulations, at each year-end the Bank has revalued in its premises and equipment and the related accumulated depreciation (except for leasehold improvements) that have been placed in use for more than a year using the legally prescribed rates. The increases in the net book value of the assets in the years ended December 31, 1999 and 1998 which amounted to TL1,483, and TL1,044, respectively, have been credited directly to revaluation surplus, and the net revaluation increments applicable to disposals have been deducted from the revaluation surplus. The Bank has used and may further use the revaluation surplus as the basis for issuing bonus capital shares (Note 17) provided that an equal amount is contributed in cash. However, any amounts of revaluation surplus, which are distributed directly to the shareholders or included in an account other than the revaluation surplus, are subject to corporation tax. Depreciation is provided on the revalued amounts except that the net revaluation increment applicable to buildings, which is not material in amount, is not depreciated. Such depreciation is deductible for corporation tax purposes.

The consolidated subsidiaries of the Bank which are incorporated in Turkey (except for TEB Factoring, which has revalued its premises and equipment in 1998) have opted not to revalue their premises and equipment in 1999 and 1998. The effect of such a revaluation would not have a significant effect on the consolidated financial statements taken as a whole.

(12) DEPOSITS:

An analysis of deposits is as follows:

	1999	1998
Demand:		
Local currency deposits -		
Commercial and saving deposits	18,865	30,166
Bank deposits	6	85
Foreign currency deposits -		
Commercial and saving deposits	29,987	16,405
Bank deposits	4,096	6,472
Gold deposits	634	-
	53,588	53,128
Time:		
Local currency deposits -		
Commercial and saving deposits	7,589	12,426
Bank deposits	4,615	3,600
Foreign currency deposits -		
Commercial and saving deposits	328,965	90,600
Bank deposits	14,079	281
Gold deposits	5,303	4,449
	360,551	111,356

The Bank mainly collects deposits from local companies and local individuals and pays interest rates which approximate market rates.

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The Bank mainly collects deposits from local companies and local individuals and pays interest rates which approximate market rates.

	1999	1998
EURO denominated medium and long-term borrowings:		
Borrowings of consolidated subsidiaries		-
Interest rates range	4.25%-4.30%	-
Maturity range	September 2004	-
US$ denominated medium and long-term Borrowings:		
Borrowings of the Bank		
Interest rates range	6.47%-9.25%	8.15%-9.25%
Maturity range	January 2001 - April 2005	April 2001- December 2001
Borrowings of consolidated subsidiaries		
Interest rates range	6.50%-Libor+9%	6.69%-12.17%
Maturity range	January 2001 - April 2004	January 2000 - November 2001
DM denominated medium and long-term borrowings:		
Borrowings of the Bank		
Interest rates range	7.87%-8.31%	4.25%-4.78%
Maturity range	February 2001 - June 2002	December 1999 - June 2002
Borrowings of consolidated subsidiaries		
Interest rates range	4.30%-7.99%	4.30%-9.55%
Maturity range	September 2003 - May 2004	January 2000 - September 2003

(14) COMMERCIAL PAPER ISSUED:

As of December 31, 1998,commercial paper issued represents US$ denominated bonds issued in the United States of America with a nominal value of US$85,000,000. The US$ denominated carrying values, interest rates and maturity ranges are as follows:

	1999	1998
Carrying value (US$)	-	83,209,098
Interest rates	-	5.10%-5.15%
Maturity	-	May 28, 1999

(15) RESERVE FOR RETIREMENT PAY:

Under the terms of existing social legislation, the Bank is required to make certain 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 TL345 million as of December 31, 1999 and TL201 million as of December 31, 1998, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination.

Effective January 1, 2000 the retirement pay liability ceiling has been increased to TL489.

(16) TAXATION:

The combined maximum effective statutory tax rate on taxable income in 1998 was 44% (35.75% for publicly owned companies) including corporation tax, withholding tax and mandatory contributions to Government funds. Certain items which are exempt from corporation tax (including investment allowance) were subject to income tax at the effective rate of 16.5% (11% for publicly owned companies).

According to law number 4369 that is published on July 29, 1998 with effect from January 1, 1999, effective corporate tax rate (including fund levies) to be paid on the corporate income is set at 33%. Furthermore, in case of the distribution of dividends from corporate earnings, dividends are subjected to income tax withholding. Effective September 1, 1999 such income tax withholding rate is announced as 5% (5.5% including fund levies) for publicly owned companies and 15% (16.5%, including fund levies) for others.

Accordingly the deferred tax liability of the Bank as of December 31, 1999 and 1998 have been computed using 33% as the effective tax rate. Furthermore the effect of the rate change on the deferred tax liability carried forward from 1997 has been reflected in the accompanying statement of income for the year ended December 31, 1998. In addition, except for dividend income, items exempt from corporation tax (including investment allowance) are subject to income tax withholding at the effective rate of 16.5% whether distributed or not. Transfer of distributable net income to share capital is not considered as dividend distribution.

In Turkey, a new tax law was enacted on November 26, 1999. The objective of the law is to generate additional tax revenues in order to help finance the public deficits, which further increased due to two recent earthquakes, which are explained in (a) above. This law introduced an additional 5% tax burden on taxable corporate profits and salary income earned in 1998, additional taxes on property and motor vehicles. The Bank's additional tax burden arising from these provisions of the new law is not material.

This new law also introduced additional withholding taxes on interest income earned on government securities. This additional tax will be computed over the interest income collected at maturity with respect to the government securities in portfolio in the year 2000. As of December 31, 1999, the government securities in the Bank's portfolio are stated at market rates announced by ISE, which is estimated to reflect the effect of such additional taxes.

According to the accounting principles required by the Treasury of Turkey and the Central Bank, a deferred tax liability is required to be provided for all income and expense items that are not taxed in the period that they are earned according to the tax legislation.

As of December 31, 1999, the Bank and its consolidated subsidiaries provided full reserve for deferred taxation. As of December 31, 1998, the Bank provided 70% of its deferred tax liability in accordance with the Treasury requirements whereas the subsidiaries provided in full.

As of December 31, 1999, prepaid taxes amounting to TL2,253 was netted off with taxes payable on income.

In Turkey, tax returns are filed within the fourth month following the year-end. According to existing tax regulations, the tax authorities may examine such returns and the underlying accounting records within five years. Furthermore, it is not required to file tax returns on a consolidated basis.

(17) SHARE CAPITAL:

The authorized and paid-in share capital of the Bank is as follows:

	1999		1998	
	Paid-in Capital	**%**	**Paid-in Capital**	**%**
TEB Mali Yatırımlar A.Ş.	19,569	88.95	11,119	88.95
Çolakoğlu Metalurji A.Ş.	2,106	9.57	1,197	9.58
Others	325	1.48	184	1.47
	22,000	100.00	12,500	100.00

As of December 31, 1999 and 1998, the Bank's share capital comprises 44 billion and 25 billion shares of five hundred Turkish lira par value each, respectively.

As of December 31, 1999 and 1998, the Bank has 640 shareholders in total.

In 1999, the share capital of the Bank was increased from TL12,500 to TL22,000.

(18) RELATED PARTY BALANCES:

The majority of the issued shares of the Bank are owned by the Çolakoğlu Group of companies which is privately owned. The group includes companies engaged in manufacturing and trading activities. For reporting purposes, companies controlled by the Çolakoğlu Group are considered as related parties.

In the course of their businesses, the Bank and its consolidated subsidiaries grant cash and non-cash loans to related parties, receive deposits and enter into lease contracts.

The details of the outstanding balances with related parties as of December 31, 1999 and 1998 are as follows:

	1999	1998
Cash loans granted	1,252	107
Non-cash loans granted	11,551	7,661
Gross lease receivable	1,209	62
Call and time deposits with bank	48,816	-
Deposits taken	77,884	29,532
Marketable securities sold under repurchase agreements	1,269	5

Interest and commission rates applicable to the above indicated balances approximate market rates.

(19) MATURITY DISTRIBUTION:

The following table shows a distribution of Turkish lira and foreign currency denominated interest earning assets and interest bearing liabilities in approximate maturity groupings according to remaining maturities at December 31, 1999 and 1998 stated in billions of Turkish lira:

	1999						1998					
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total	0 to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Interest Earning Assets:												
Turkish lira:												
- Call and time deposits with banks	14,779	24,800	21,579	1,000	-	62,158	22,830	-	-	-	-	22,830
- Interbank funds sold	15,000	250	-	-	-	15,250	5,000	-	-	-	-	5,000
- Marketable securities	9,897	8,378	1,208	14	40,629	60,126	4,307	3,619	9,501	1,582	1,493	20,502
- Reserve deposits	30,510	-	-	-	-	30,510	2,149	-	-	-	-	2,149
- Loans	29,941	10,456	7,391	9,975	2,826	60,589	23,291	3,483	3,120	2,571	120	32,585
- Net lease receivables	543	1,207	1,531	2,227	1,066	6,574	216	428	491	723	673	2,531
Total Turkish lira	100,670	45,091	31,709	13,216	44,521	235,207	57,793	7,530	13,112	4,876	2,286	85,597
Foreign currency (*)												
- Call and time deposits with banks	125,529	19,371	35,400	43,416	-	223,716	62,624	-	-	-	-	62,624
- Marketable securities	358	2,714	-	-	126,840	129,912	-	-	-	10,769	63,506	74,275
- Loans	11,960	35,368	52,478	42,990	16,373	159,169	10,832	18,522	17,654	5,146	1,759	53,913
- Net lease receivables	1,090	1,928	2,217	2,613	5,417	13,265	733	2,062	2,929	4,640	3,151	13,515
Total foreign currency	138,937	59,381	90,095	89,019	148,630	526,062	74,189	20,584	20,583	20,555	68,416	204,327
Total	239,607	104,472	121,804	102,235	193,151	761,269	131,982	28,114	33,695	25,431	70,702	289,924
Interest Bearing Liabilities:												
Turkish lira:												
- Deposits	26,067	3,379	1,028	601	-	31,075	29,912	8,136	6,741	1,488	-	46,277
- Funds borrowed from banks	13,643	2,433	7,710	7,394		31,180	5,635	897	710	-	-	7,242
Total Turkish lira	39,710	5,812	8,738	7,995	-	62,255	35,547	9,033	7,451	1,488	-	53,519
Foreign currency (*)												
- Deposits	205,334	89,313	40,645	37,831	9,941	383,064	44,239	45,011	21,039	7,572	346	118,207
- Funds borrowed from banks	1,656	25,355	55,283	74,509	140,715	297,518	1,035	2,631	5,511	28,066	67,672	104,915
- Commercial paper issued	-	-	-	-	-	-	-	26,226	-	-	-	26,226
Total foreign currency	206,990	114,668	95,928	112,340	150,656	680,582	45,274	73,868	26,550	35,638	68,018	249,348
Total	246,700	120,480	104,666	120,335	150,656	742,837	80,821	82,901	34,001	37,126	68,018	302,867

(*) Turkish lira equivalent converted at prevailing year-end exchange rate.

(20) LEGAL AND GENERAL RESERVES:

The legal reserves consist of first and second legal reserves and loss contingency reserves, in accordance with the Turkish commercial and banking codes. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches 20% of share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted. For the Bank, the loss contingency reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve is equal to the Bank's share capital. Effective June 23, 1999, the requirement for appropriation of loss contingency reserve was removed.

As of December 31, 1999 and 1998, the aggregate of the combined statutory general reserve and current year net income of TL33,758 and TL14,816, respectively were available for distribution, subject to legal reserve requirements referred to above.

(21) CONTINGENCIES AND COMMITMENTS:

In the normal course of business activities, the Bank and its consolidated subsidiaries undertake various commitments and incur certain contingent liabilities that are not presented in the accompanying financial statements including letters of guarantee, acceptance credits and letters of credit, underwriting commitments and marketable securities resale and repurchase transactions. The following is a summary of significant contingencies and commitments at December 31, 1999 and 1998:

Commitments of Resale and Repurchase of Marketable Securities:

The Bank and the consolidated subsidiaries' commitments for resale and repurchase of marketable securities as of December 31, 1999 and 1998 are as follows:

	1999	1998
Repurchase commitments (at repurchase value)	110,863	31,048
Resale commitments (at resale value)	9,348	3,089

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

As of December 31, 1999 and 1998, in line with the requirements of IGM letters of guarantee amounting to US$1,610,000 (December 31, 1998-US$610,000), had been obtained from local banks and were provided to IGM for transactions conducted in that market.

As of December 31, 1999 and 1998, according to the general requirements of the ISE, letters of guarantee amounting to TL2,759 and US$18 million and TL101 and US$22 million, respectively, had been obtained from various local banks and were provided to the ISE for bond market transactions. Also, as of December 31, 1999 and 1998, according to the general requirements, letters of guarantee amounting to TL252 were given to the Capital Market Board.

Forward Agreements:

The forward commitments comprised (foreign currency in thousands):

	1999	1998
BUY		
TL	114,981	14,408
US$	640,536	331,849
DM	5,700	56,920
GBP	6,598	-
CHF	-	-
FRF	-	3,467
ITL	-	-
BEF	-	-
JPY	532,760	788,480
EUR	252,451	-
US$ Equivalent	912,720	373,366
SELL		
TL	34,808	20,303
US$	378,833	71,690
DM	93,792	317,760
GBP	-	559
CHF	9,094	-
FRF	-	6,000
ITL	-	-
JPY	5,496,445	5,438,125
GR (Gold)	6,005	23,000
SEK	-	773
EUR	251,002	-
US$ Equivalent	794,805	323,408

The above indicated forward agreements outstanding as of December 31, 1999 and 1998 mature between January 2000 and December 2000, and January 1999 and July 1999, respectively.

Other Commitments:

	1999	1998
Letters of guarantee issued by the Bank	148,269	106,054
Letters of guarantee obtained by consolidated subsidiaries from other banks	10,729	6,764
Payment commitments to foreign banks arising from:		
Acceptance credits	9,527	4,553
Letters of credit	79,986	34,853

As of December 31, 1999 and 1998, the letters of guarantee and payment commitments, excluding letters of guarantee secured by counter guarantees amounting to TL12,136 and TL14,702, respectively and excluding confirmed and 100% collateralized letters of credit amounting to TL18,021 and TL4,711, respectively can be classified by industry group as follows:

	1999	1998
Financial sector	48,901	29,822
Metals	19,811	14,743
Food, beverage, tobacco	22,558	17,516
Transportation	7,690	4,676
Wholesale, retailing	6,380	4,196
Textiles and ready-to-wear textiles	26,508	16,349
Fiber plastic	7,632	4,515
Mining other than metals	4,079	3,968
Construction	5,466	3,990
Chemicals and chemical products	8,828	3,111
Tourism, transportation and warehousing	4,030	2,057
Electricity and optic devices	2,971	2,702
Leather and leather products	2,437	1,647
Fuel products	14,718	1,884
Wood products	140	640
Others	25,476	14,231
	207,625	126,047

(22) CONSOLIDATED FOREIGN CURRENCY POSITION:

As of December 31, 1999 and 1998, the consolidated foreign currency position of the Bank is as follows (thousands of US$):

	1999	1998
Total Foreign Currency Assets	864,371	648,737
Total Foreign Currency Liabilities	(1,039,570)	(791,129)
Short Position	(175,199)	(142,392)
Foreign Currency Indexed Assets	6,591	2,402
Forward Buy Commitments	1,035,416	421,366
Forward Sell Commitments	(921,735)	412,777
Foreign Currency Net Position	(54,927)	(131,401)

(23) SUBSEQUENT EVENTS:

On February 24, 2000, the share capital of the Bank was increased to TL24,500. 5 billion of new shares issued with TL500 nominal par value each and 4.8 billion existing principal shareholder shares were offered to the public by the initial public offering.

(24) FINANCIAL STATEMENTS OF THE BANK

The non-consolidated audited balance sheets and income statements of the Bank as of and for the years ended December 31, 1999 and 1998 are included in the Appendix.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
BALANCE SHEETS AS OF DECEMBER 31, 1999 AND 1998
(Currency - Billions of Turkish lira)

ASSETS	1999	1998
CASH AND CURRENT ACCOUNTS WITH BANKS	48,829	24,763
CALL AND TIME DEPOSITS WITH BANKS	214,733	83,890
INTERBANK FUNDS SOLD	15,250	5,000
RESERVE DEPOSITS AT CENTRAL BANK	30,510	19,740
MARKETABLE SECURITIES	169,319	81,686
LOANS, net	114,526	86,655
ACCRUED INTEREST INCOME AND OTHER ASSETS	31,814	17,931
EQUITY PARTICIPATIONS	13,050	6,204
PREMISES AND EQUIPMENT, net	5,228	3,236
Total assets	643,259	329,105

LIABILITIES AND SHAREHOLDERS' EQUITY	1999	1998
DEPOSITS:		
Demand	50,928	57,275
Time	259,352	135,242
Total deposits	310,280	192,517
FUNDS BORROWED FROM BANKS:		
Local banks	8,656	5,293
Foreign banks	217,509	75,575
ACCRUED INTEREST AND OTHER LIABILITIES	43,701	22,556
TAXES PAYABLE:		
Taxation on income	11,589	-
Other taxes	2,414	1,413
Deferred income tax	2,005	5,062
Total liabilities	596,154	302,416
SHAREHOLDERS' EQUITY:		
Share capital	22,000	12,500
Revaluation surplus	1,464	1,043
Legal and general reserves	4,253	2,481
Current year net income	19,388	10,665
Total shareholders' equity	47,105	26,689
Total liabilities and shareholders' equity	643,259	329,105
CONTINGENCIES AND COMMITMENTS		
Guarantees given	253,635	181,892
Commitments (repo)	170,466	34,165
Forward commitments	1,085,936	239,581
	1,510,037	455,638

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Currency - Billions of Turkish lira)

	1999	1998
INTEREST INCOME:		
Interest on loans	37,213	29,796
Fees and commissions on loans	483	291
Interest on marketable securities	45,390	20,451
Interest on deposits with banks	24,906	16,166
Other interest income	9,931	5,13
	117,923	71,840
INTEREST EXPENSE:		
Interest on funds borrowed	(12,622)	(6,265)
Interest on local currency deposits	(21,163)	(14,940)
Interest on foreign currency deposits	(18,484)	(7,983)
	(52,269)	(29,188)
Net interest income	65,654	42,652
PROVISION FOR POSSIBLE LOAN LOSSES	(291)	(881)
Net interest income after provision for possible loan losses	65,363	41,771
FOREIGN EXCHANGE LOSS, net	(20,951)	(13,370)
OTHER OPERATING INCOME:		
Income from banking services	4,558	2,173
Marketable securities trading income/(loss), net	9,027	(176)
Other income	1,649	603
	15,234	2,600
OTHER OPERATING EXPENSES:		
Salaries and employee benefits	(14,275)	(7,807)
Administration expenses and other	(12,119)	(6,587)
Taxation other than on income	(1,904)	(938)
Depreciation and amortization	(1,175)	(591)
	(29,473)	(15,923)
Income before provision for income tax	30,173	15,078
PROVISION FOR INCOME TAX	(10,785)	(4,413)
Net income	19,388	10,665

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Web site: www.tebsigorta.com.tr

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TEB Çiftehavuzlar
Tel: (0216) 385 77 99 Fax: (0216) 385 79 49

TEB Etiler
Tel: (0212) 257 78 00 Fax: (0212) 257 39 39

TEB Gayrettepe
Tel: (0212) 356 21 51 Fax: (0212) 356 21 34

TEB Güneşli
Tel: (0212) 630 91 10 Fax: (0212)630 91 21

TEB Harbiye
Tel: (0212) 234 12 16 Fax: (0212) 231 64 67

TEB Kadıköy
Tel: (0216) 445 08 38 Fax: (0216) 445 08 37

TEB Kartal
Tel: (0216) 488 26 50 Fax: (0216) 488 26 58

*** TEB Kozyatağı**
Tel: (0261) 410 65 25 Fax: (0216) 410 65 15

TEB Levent
Tel: (0212) 283 70 50 Fax: (0212) 282 33 37

TEB Maçka
Tel: (0212) 219 38 64 Fax: (0212) 219 38 71

TEB Maslak
Tel: (0212) 345 03 50 Fax: (0212) 345 03 60

TEB Merter
Tel: (0212) 505 85 11 Fax: (0212) 642 74 41

TEB Suadiye
Tel: (0216) 385 58 40 Fax: (0216) 385 55 86

TEB Sultanhamam
Tel: (0212) 513 71 20 Fax: (0212) 511 27 15

TEB Trakya Kurumsal
Tel: (0212) 474 03 04 Fax: (0212) 474 15 77

TEB Ümraniye
Tel: (0216) 461 60 71 Fax: (0216) 461 60 78

*** TEB Yeşilköy**
Tel: (0212) 662 45 99 Fax: (0212) 662 46 01

TEB Adana
Tel: (0322) 458 90 33 Fax: (0322) 459 00 63

*** TEB Güney Anadolu Kurumsal**
Tel: (0322) 457 14 12 Fax: (0322) 457 14 62

TEB Ankara
Tel: (0312) 468 11 32 Fax: (0312) 467 01 49

TEB Kazım Karabekir
Tel: (0312) 384 24 14 Fax: (0312) 384 24 13

*** TEB Orta Anadolu Kurumsal**
Tel: (0312) 447 74 40 Fax: (0312) 447 74 02

TEB Antalya
Tel: (0242) 312 47 00 Fax: (0242) 312 44 94

TEB Bursa
Tel: (0224) 224 41 61 Fax: (0224) 224 42 92

*** TEB Marmara Kurumsal**
Tel: (0224) 272 72 00 Fax: (0224) 273 03 98

TEB Denizli
Tel: (0258) 241 28 01 Fax: (0258) 241 28 10

TEB Eskişehir
Tel: (0222) 220 24 24 Fax: (0222) 234 24 24

TEB Gaziantep
Tel: (0342) 230 07 32 Fax: (0342) 220 89 59

TEB Gebze
Tel: (0262) 643 02 65 Fax: (0262) 643 02 75

TEB İzmit
Tel: (0262) 322 36 00 Fax: (0262) 322 36 04

TEB İzmir
Tel: (0232) 489 10 60 Fax: (0232) 489 33 72

TEB Aliağa
Tel: (0232) 616 10 20 Fax: (0232) 616 70 80

TEB AOS/Çiğli
Tel: (0232) 376 83 43 Fax: (0232) 376 83 50

TEB Çarşı
Tel: (0232) 469 73 10 Fax: (0232) 469 73 19

TEB Gül Sokak
Tel: (0232) 463 00 02 Fax: (0232) 463 42 37

TEB Işıkkent
Tel: (0232) 436 47 70 Fax: (0232) 436 47 73

TEB Kemalpaşa
Tel: (0232) 877 06 60 Fax: (0232) 877 06 61

TEB Torbalı
Tel: (0232) 853 23 50 Fax: (0232) 853 23 55

TEB Kahramanmaraş
Tel: (0344) 231 20 81 Fax: (0344) 231 20 91

TEB Kayseri
Tel: (0352) 231 20 81 Fax: (0352) 231 20 91

TEB Konya
Tel: (0332) 236 10 67 Fax: (0332) 236 20 64

TEB Manisa
Tel: (0236) 233 01 10 Fax: (0236) 233 04 19

TEB Mersin
Tel: (0324) 238 68 40 Fax: (0324) 238 68 53

TEB Mersin Serbest Bölge
Tel: (0324) 238 83 47 Fax: (0324) 238 83 51

*Opened in 2000.

FINANCIAL CALENDER

Announcement of financial results:

1st Quarter	: Within six weeks from 31st March
2nd Quarter	: Within eight weeks from 30th June
3rd Quarter	: Within six weeks from 30th September
Year-end	: Within ten weeks from 31st December
Annual General Meeting of Shareholders	: No later than 31st March

ENQUIRIES

All enquiries including shareholder enquiries and notifications concerning dividends, share certificates, Global Depository Receipts or transfers and address changes should be sent to "TEB Investor Relations Department" at the address shown below:

Further information on TEB may be obtained on the Internet web site at "www.teb.com.tr"

Postal address: TEB Investor Relations Department
Meclis-i Mebusan Caddesi No: 35 Fındıklı 80040 Istanbul Turkey
Tel: (0212) 251 21 21 Fax: (0212) 249 65 68

E-mail address: investor.relations@teb.com.tr