



THE ECONOMY BANK N.V.



Annual Report 2003



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TEB (Türk Ekonomi Bankası A.Ş.)



Originally established in 1927 as a small-scale regional bank, services at Türk Ekonomi Bankası (TEB) expanded gradually over the years to cover all geographical regions of the country where economic and industrial activity are vibrant. TEB offers corporate, commercial, retail and private banking customers a wide range of contemporary banking services and products. Currently, TEB operates through a geographically and economically well-chosen network of 76 branch locations in Turkey, and an offshore branch in Bahrain.

Through its subsidiaries, which make up TEB Financial Services Group, TEB also offers its customers leasing, factoring, non-life insurance, asset management and investment brokerage services.

TEB is a listed company on the Istanbul Stock Exchange where approximately 20% of its shares are currently being traded. Similarly, TEB shares are listed and traded as GDRs on the London Stock Exchange since 2000.

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



TEB Investment is the Bank's investment banking subsidiary and provides corporate finance, fixed income and equity brokerage services to Turkish and international institutional and retail investors.

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

TEB Investment has a paid-up capital of TL 12,950 billion, of which 74.80% 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 machinery and equipment. Since 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 best meets the requirements of the customer's investment project.

TEB Leasing has a paid-up capital of TL 29,500 billion, of which 68.76% belongs to TEB.

TEB Factoring (TEB Factoring A.Ş.)



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

TEB Factoring has a paid-up capital of TL 6,200 billion, of which 69.40% belongs to TEB.

TEB Insurance (TEB Sigorta A.Ş.)



TEB's non-life insurance subsidiary, TEB Insurance, provides risk coverage to clients in the areas of fire, marine, accident and engineering insurance.

TEB Insurance was the first Turkish insurance company to be rated by an international rating agency. FitchRatings awarded an 'A- (tur)' rating to TEB Insurance in January 2001, which was interpreted as a major event in the Turkish insurance industry. Since then, TEB Insurance has retained this favourable rating.

TEB Insurance has a paid-up capital of TL 10,000 billion, of which 50% belongs to TEB.

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



The management of TEB's mutual funds, which had been the responsibility of TEB Investment until January 2000, was turned over to TEB Asset Management with a view toward enhancing efficiency and independence. TEB Asset Management is one of the country's larger fund managers and has an extensive Internet distribution capacity. The Company has a marketing agreement with Citibank.

In early 2004, TEB Asset Management merged with ABN Amro Asset Management and the merger was registered at the Trade Registrar's Office on January 12, 2004.

TEB Asset Management has a paid-up capital of TL 1,500 billion, of which 55.87% belongs to TEB.

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



TEB Precious Metals is involved in importing and domestic trading of precious metals. It is the leading gold trading company on the Istanbul Gold Exchange with a market share of 28% in imports. It is also one of the major traders of silver in Turkey with 23 tons, representing a market share of 9%.

TEB Precious Metals has a paid-up capital of TL 100 billion, of which 66% 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 1,000 billion, of which 24.40% belongs to TEB.

Financial Highlights

Key Figures (Euro Thousands)

	2003	2002	2001
Net Profit	3,301	4,394	5,656
Profit Before Tax and Provisions	5,454	7,140	9,234
Total Assets	677,465	709,887	612,922
Share Capital	30,000	25,000	21,000
Own Funds	46,559	43,521	35,127
Interest Bearing Assets	656,906	691,839	589,527
Interest Bearing Liabilities	625,145	653,378	558,376
Funds Entrusted	605,382	626,877	440,313
Trade Finance Volume	665,643	527,253	292,778
Loans and Advances to Private Sector	247,797	243,706	371,774

Key Ratios

	2003	2002	2001
Solvency Ratio	22%	24%	29%
Return on Average Funds	8%	11%	17%
Total Assets / Own Funds (times)	15	16	17
Operational Expenses / Operational Income	85%	88%	85%
Commission Income / Administrative Expenses	109%	118%	147%
Net Profit per Staff	97	142	202

❖ **TEB N.V. provides services in the areas of international trade finance, forfaiting, treasury and private banking while offering a wide range of products to its clients.**

Incorporate in the Netherlands in 1998 and operating within the Dutch banking framework, The Economy Bank N.V., (TEB N.V.), is a member of the TEB Financial Services Group, a distinguished conglomerate in the Turkish financial services industry.

TEB N.V. provides services in the areas of international trade finance, forfaiting, treasury and private banking while offering a wide range of products to its clients. The Bank enjoys strong relationships with carefully selected correspondent banks, corporations and private investors. TEB N.V. is pursuing its objective to become the most effective and sought after financial institution in the EU, specialising in Turkish financial markets and instruments.





Supervisory Board



Yavuz Canevi, *Chairman*
Dr. Akin Akbaygil, *Vice Chairman*
Hasan Tevfik Çolakoğlu, *Vice Chairman*
Sigurd Fischer Guettich, *Member*
Maarten Hulshoff, *Member*
Rafael Taranto, *Member*
Ismail Yanık, *Member*

Management Board



Özden Başaran Odabaşı, *Managing Director*
Aşkın Dolaştır, *Deputy Managing Director*

Corporate Officers



Özgür Şentürk, *Vice President - Credit and Marketing*
Didem İkikardeş, *Assistant Vice President - Financial Institutions*
Semih Gümüştekin, *Treasurer - Treasury*
Nathalie Leviyol, *Vice President - Private Banking*
Özkan Ağırkaya, *Assistant Vice President - Trade Finance*
Rien Steketee, *Vice President - Operations*
Orkun Mungan, *Financial Controller - Financial Control*
Sami T. Yücel, *Internal Auditor*
Evert Habiboellah, *Assistant Vice President - Accounting*

Representative Office



Sedef Güven, *Representative*



The Supervisory Board met on four occasions in 2003. The Supervisory Board received regular updates by the Management Board on the Bank's business policy, fundamental issues of relevance to the future management of the Bank as well as the current status and future development of TEB N.V.. Discussions also focused on staff development, cost management and increasing earning capacity within the departments of the Bank.

The various committees composed of members of the Supervisory Board, i.e. Audit, Credit and Remuneration Committees worked and duly reported during 2003.

The Supervisory Board has fulfilled its duties in accordance with the Bank's Articles of Association in the year 2003 by monitoring the actions of the Management Board on a timely and ongoing basis.

The auditors have provided the Board with all the necessary information as well as the results of their examinations.

It is with pleasure that we, the Supervisory Board, are able to present the Management Board Report along with financial statements comprised of the Balance Sheet, Income Statement with explanatory notes and supplementary information including reports from the external auditors, Ernst & Young Accountants, for the period ending December 31, 2003.

At the end of the year, the capital adequacy ratio of the Bank stood at 12%, well in line with the policies adopted by the DNB. The ratio as per BIS standards stood at 22%, solid proof of TEB N.V.'s conservative and prudent approach. We consider this ratio to be extremely important; the Supervisory Board closely monitors the activity of the Bank to

... At the end of the year, the capital adequacy ratio of the Bank stood at 12%, well in line with the policies adopted by the DNB.

assure that the ratio is in compliance with local and international standards.

We have examined the financial statements of 2003 and propose the approval of the financial statements for year 2003 to the Annual General Meeting of Shareholders. Furthermore, we propose to add the net profit of Euro 3.3 million from the current year to the reserves and to discharge the Management and the Supervisory Board members with respect to the fulfilment of their duties.

We would like to take this opportunity to thank our shareholders for their commitment and our correspondent banks for their continued support. We also wish to express our sincere appreciation to our devoted employees whose hard work has enabled the Bank to achieve favourable results despite difficult economic environment.

Supervisory Board

March 16, 2004

Introduction

The job of sustaining a solid financial foundation is one that requires compliance and loyalty to well defined corporate goals and values. The Economy Bank N.V. (TEB N.V.) has set out to become one of the most effective and sought-after financial institutions specialised in Turkish financial markets and instruments in the European Union. We have inherited our prudent banking approach from our shareholder, Türk Ekonomi Bankası A.Ş. (TEB A.Ş.) and from TEB Financial Services Group, which is a distinguished financial services group in the Turkish finance industry.

In year 2003, TEB N.V. announced an operational net profit of Euro 3.3 million, showing an 8% return on equity. Operating income for the year amounted to Euro 9.4 million, indicating a profit 2.4 times the administrative

❖ In 2004, TEB N.V.'s goal is to enlarge trade finance activities to the selected countries in the Mediterranean basin, while staying loyal to its principles of prudence and strength supported by a solid balance sheet.

expenses of Euro 3.9 million. The volume of trade finance transactions of the Bank was Euro 665.6 million for year 2003.

The BIS ratio of 22% confirms the quality of the financial assets and the sufficiency of our own funds, while total risk assets and contingents reach Euro 708.9 million and total own funds Euro 46.5 million. Additionally, the short-term nature of the Bank's risk assets (balance sheet average original maturity term of 178 days and risk assets average original maturity term of 98 days) increases the flexibility of TEB N.V. in responding to fluctuating market conditions.

TEB N.V. started construction of its new offices in Amstelveen in 2003 and plans for completion are set for early 2004. The new premises will house open-space working platforms designed to emphasise the richness of natural light. It is our view that these flexible platforms

will allow for a modern work environment geared towards open communication, the exchange of ideas and transparency.

TEB N.V. and Türk Ekonomi Bankası A.Ş., its sole shareholder, have already established strong co-operation in technology, risk management, legal and human resource fields. In 2004, the goal will be to increase co-operation in trade finance activities.

In 2004, TEB N.V.'s goal is to enlarge trade finance activities to the selected countries in the Mediterranean basin, while staying loyal to its principles of prudence and strength supported by a solid balance sheet.

A View of the Turkish Market in 2003

Remarkably, the Turkish economy sustained its recovery in 2003. The continued IMF programme, a much-improved international conjuncture, as well as the confidence infused by a single-party government, brought stability to the markets as well as the economy.

In line with the implementation of the programme, the decrease in domestic demand helped achieve and even beat targeted inflation rates in both 2002 and 2003. The rapid conclusion of the war in Iraq, improved market sentiment toward emerging markets and the prospect of bilateral financing from the US also helped build confidence in the Turkish economy.

In 2003, unemployment was considerably high and incomes were relatively low, making income "policy"



Özden Başaran Odabaşı

together with the plummeting US dollar, the driving factors behind successful disinflation. With FX rates acting as a de facto anchor, CPI inflation of 18.4% remained below the target rate of 20% for 2003. Similarly, WPI inflation registered 13.9% in 2003, compared to the 17.4% original official target.

The decline in inflation and increased confidence has triggered an increased



Aşkın Dolaştır

demand for Turkish lira. Central Bank reserves have been reinforced above and beyond IMF programme expectations via foreign exchange purchases made in 2003.

Debt sustainability lost its pivotal status in debates on Turkey as global liquidity conditions, the strong Turkish lira, relative improvement in fiscal performance and the confidence in the

❖ Improving consumer and business sentiment, abundant liquidity, and related low interest rates could allow Turkey to maintain its growth rate in the 4-5% range this year.

strong single-party government alleviated worries. Indeed, net debt stock of the public sector is estimated to have declined to around 70% of GNP by the end of 2003, from a high of 92% at the end of 2001. The crucial issue here is that, including FX-denominated domestic debt, half of the public sector debt is denominated in foreign currencies. The strength of the Turkish lira has brought down the value of that portion of the debt stock relative to the size of the economy. On the other hand, the Turkish lira market debt carries heavy real interest, as the average interest rate in 2003 borrowing was more than 45%.

Debt sustainability is more of a sentimental issue than a mathematical or technical one; therefore, it is normal that the issue currently is not a priority among investors. Nevertheless, debt is high and debt outlook is volatile due to potential currency and interest rate fluctuations.

The growth targets were attained notwithstanding the tight fiscal stance. Growth in 2003 is widely expected to beat the official estimate of 5%. A fundamental problem in the growth picture is that job creation did not accompany the economic rebound.

The cumulative current account balance for the year 2003 reached a deficit of US\$ 6.8 billion, which is an improvement compared to earlier official estimates that at one point reached as high as US\$ 7.7 billion. Tourism receipts surged and export performance surpassed expectations. We welcome the fact that the export / import ratio is steady at above two thirds. This is well above the 50% pre-crisis level and is necessary to keep an appearance of sustainability given that Turkey now has a much more open economy. GNP in US dollar terms is 20% larger than it was in 2000, whereas total foreign trade is up by 41%.

Improving consumer and business sentiment, abundant liquidity, and related low interest rates could allow Turkey to maintain its growth rate in the 4-5% range this year. However, poor domestic employment conditions as well as the pressure applied by the uncompetitive Turkish lira on the external balance puts a cap on growth and raises questions about its sustainability.

Current account deficit is expected to remain high. Low short-term interest rates will ensure durables and investment demand to be robust. The government expects the current account deficit to reach approximately 3% of GNP. The continued tight stance of the CBRT will also support the speculative demand for Turkish lira, although the currency would need to lose some of its real value for the current account deficit to be contained. The longer the strength of the currency is maintained, the bigger the negative impact on external demand



is likely to be. Early 2004 performance in inflation has been quite encouraging and now we have witnessed market expectation for 2004 CPI inflation converge to the official 12% target. The attainment of this target hinges on the strength of the Turkish lira and related administered prices. Fiscal needs could also play a role in indirect taxes as well as administered prices.

Turkey's external trade performance has strengthened significantly since the 2000 financial crisis, but currency appreciation since the first half of 2003 and increases in the current account deficit raise the question as to whether the exchange rate is overvalued.

We expect trade volume to remain robust in 2004 and coupled with the weakness of the US dollar, the trade in US dollar terms could easily rise above US\$ 130 billion, from the US\$ 115 billion in 2003.

❖ **Despite the economic downturn, TEB N.V. increased its trade finance volume to Euro 665.6 million from Euro 527 million. The volume of business has picked up particularly in the last quarter of 2003.**

2004 will constitute an instrumental year in implementing the reforms in the Turkish financial sector. These reforms include the restructuring of the banking system with the substantial strengthening of the judicial framework and limiting the scope of deposit insurance, which is currently universal. Transfer of regulations and supervision of non-bank credit institutions from the Treasury to BRSA at the beginning of 2004 is another cornerstone in solidifying supervision activities.

In summary, it is crucial to remain cautious in fiscal sustainability issues particularly with respect to social security and tax reform. However, government targets for 2004 are viewed as broadly attainable.

Other Markets

The global economy has been faltering since 2001, but has recently begun to

show signs of a recovery. The recent recovery of the American economy is promising but the current account deficit casts a shadow over it. Asian growth has been strong, on the back of China's performance, and there are signs of a turnaround in Japan. Europe, on the other hand, has been plagued with poor growth rates. The growth picture in principal economies outside the euro area – Asia, the US and Japan - has surpassed analysts' expectations.

The Dutch economy remained weak in 2003. The global downturn has led to increased pressure on household spending, particularly on durable goods. Consumer confidence rose in December 2003. Although still low, it stood at about the same level as a year earlier. Government spending contributed positively to economic growth. Unemployment continued to rise while consumer price inflation hovered at around 2%. Consumer prices rose more

slowly during 2003 than in the previous three years when the Netherlands had one of the highest inflation rates among European Union countries.

One of the important developments in the Dutch market will be the merger between The Nederlandsche Bank (DNB - the central bank and supervisory authority for banks) and Pensioen-en Verzekeringkamer (PVK – supervisory authority for pension funds and insurance companies), which is set to take place in 2004.

After stagnating in 2001 and 2002 and achieving economic growth of 0.1% in the second half of just 2003, the Netherlands seems to have passed the trough of its recession. Cost moderation, public finance restructuring and a higher labour participation rate are instrumental factors in the reversal of this trend.

Nevertheless, it is necessary to mention the possibility of a setback in the recovery of the global economy. A continued rise of the euro against the dollar could also threaten the expected recovery in the Netherlands.

Credit and Marketing

TEB N.V. fought off the prevailing slowdown in the global economy in 2003 and continued its lending activities, particularly in trade finance where it has maintained its leading position. Despite the economic downturn, TEB N.V. increased its trade finance volume to Euro 665.6 million from Euro 527 million. The volume of business has picked up particularly in the last quarter of 2003.

Steps taken to become the exclusive EU specialist for the Turkish market allowed TEB N.V. to increase its market share in trade finance. As we increase our

expertise in different sectors of international trade finance, the oil sector also has become an area of our specialisation. Below are the leading sectors that we are involved in:

- Iron and Steel
- Fertiliser
- Commodities
- Chemicals
- Oil (by-products)

In 2003, documentary collections have increased substantially as a result of increased penetration into commodity financing, where most trades are handled on a CAG (cash against goods) or CAD (cash against documents) basis.

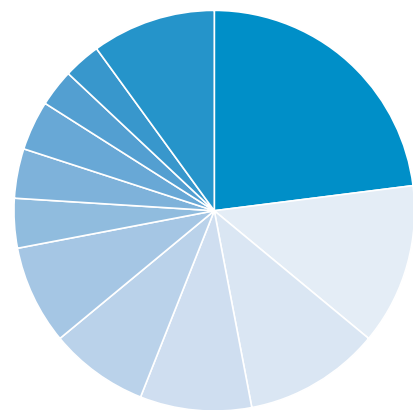
In addition to trade finance activities, another major activity in 2003 was lending to prime European and Turkish corporate clients, which reached Euro 117.7 million.

The loan portfolio is well diversified and evenly distributed in terms of sectors, locations and scale of borrowers. TEB N.V. supplies quality services to its clients who seek efficient and prompt responses to their financial needs and has actively sought to diversify its loan portfolio over the last few years. Thanks to the well-organised and dedicated staff, TEB N.V. has made significant progress on all these issues and will continue to improve through 2004.

The growing loan portfolio is monitored through a comprehensive and prudent approach whereby all customers are evaluated according to their financial position, sector risk and performance.

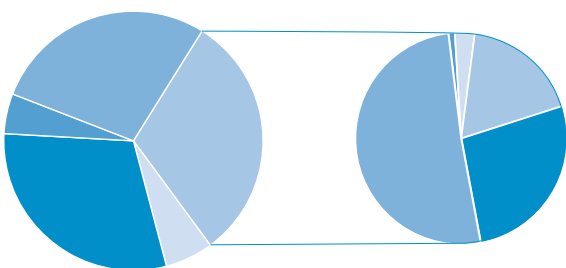
In the year 2004, TEB N.V. will continue to improve the quality of its services and loan portfolio by staying loyal to prudent and risk-averse credit evaluation techniques. This is the most integral tool in maximising the profit of our shareholders through expansion of our business volume and market share.

Industry Distribution of Private Sector Risks (Funded and Contingent)



- Trade Companies 23%
- Others 10%
- Construction and Related Industries 3%
- Investment Companies and Holdings 3%
- Factoring 4%
- Petroleum 4%
- Pharmaceuticals and Chemicals 4%
- Textiles 8%
- Wood and Paper Products 8%
- Agriculture and Fertilisers 9%
- Metals and Metalurgy 11%
- Transportation 13%

Composition of Trade Finance Volume-Year 2003



- | | |
|--------------------------------|----------------------|
| ■ Letters of Guarantee 5% | ■ Switzerland 3% |
| ■ Export Letters of Credit 28% | ■ Others 18% |
| ■ Collection 31% | ■ Turkey 51% |
| ■ Draft Discounting 6% | ■ North America 1% |
| ■ Import Letters of Credit 30% | ■ European Union 27% |

Financial Institutions

The main focus of the Financial Institutions Department in 2003 was to increase its efficiency through the creation of new business with our correspondents. This enabled the Financial Institutions Department to effectively utilise bank limits while maintaining close relationships with the correspondents.

Since its establishment, TEB N.V. has developed strong correspondent banking relationships across the world and offers its financial institution clients access to an extensive network of banks that facilitate their international transactions. In 2003, the Financial Institutions Department continued well-established partnerships with its valuable correspondents in order to mediate client transactions in a precise and efficient manner.

In 2003, trade finance continued to be one of the main business activities of

❖ In 2003, TEB N.V. strengthened its role in private banking, thanks to the implementation of a brand new approach fostered by an enthusiastic team eager to strengthen key issues such as customer satisfaction and income generation.

TEB N.V.. Along with trade finance activities, the Financial Institutions Department continued to strengthen its forfaiting activities to utilise the bank limits efficiently. Being a member of the International Forfaiting Association (IFA) has facilitated the enlargement of its secondary market network.

In 2004, the Financial Institutions Department will continue to provide services of the highest quality to its valuable correspondents and clients while trying to increase its visibility through expansion to new geographical areas and will further develop its activity in the forfaiting market.

Private Banking

In 2003, TEB N.V. strengthened its role in private banking, thanks to the implementation of a brand new approach fostered by an enthusiastic team eager to strengthen key issues such as customer satisfaction and income generation.





Providing excellent customer service, while acting as a trustworthy intermediary in the execution of customer investment decisions, was the mission of the Private Banking Department throughout 2003. A realistic and diligent approach led to enhanced customer satisfaction as well as a strengthening of relationships. The customer portfolio of high net worth individuals was expanded resulting in higher transaction volume and fee generation. The expansion of the client

base helped achieve a doubling of total client assets.

TEB N.V. continues to target continual expansion and improvement of its range of products to attract further high net worth individuals that demand reliable service.

Treasury

Although financial uncertainty prevailed especially during the first half of 2003,

the Treasury Department performed satisfactorily and was able to maintain TEB N.V.'s position in related markets and its impeccable reputation among its counterparts in international markets. The Treasury Department continued its effective cash management activities and provided support to other departments. Foreign exchange and fixed income remained the main markets for the Treasury Department in 2003.

The Treasury Department maintained its cautious stance regarding position, liquidity and interest rate risks, in view of uncertainties and resultant volatility in the market.

Risk Management and Control

General

Establishment of the Audit Committee in 2003 was one of the most important events from the point of risk management. The coordination and monitoring of risk management related issues will be communicated and guided by the Audit Committee.

The Audit Committee of the TEB N.V. Board is responsible for recommending the selection of external auditors to the Board; receiving, reviewing and forwarding to the Board the annual financial report of the external auditors and such other matters as may warrant its attention. In the framework of Regulation on Organisation and Control, the Audit Committee assists the Supervisory Board to fulfil the duties that relate to the assessment of organisational arrangement and the control mechanism established by the Bank. The Audit Committee is

❖ **As part of the credit risk monitoring activities, risk assessment concerning Turkey has been reshaped and is now closely followed by the Internal Audit Department.**

comprised of three Supervisory Board members appointed annually by the Board, each of whom shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

The Activities of Internal Control Unit, which was established in 2002 to perform periodic and ad hoc controls over operational activities, was enhanced in 2003 by the establishment of the Internal Audit Department (Head of Internal Audit has also functional reporting line to the Chairman of Audit Committee to keep the communication channels open at all times). Consequently, the scope of the checks and controls has increased and a more comprehensive approach has been taken with respect to operational risk management. Additionally, each year an audit team from the parent company performs controls on overall bank activities.

As part of the credit risk monitoring activities, risk assessment concerning Turkey has been reshaped and is now closely followed by the Internal Audit Department. Such a model enables TEB N.V. to follow the developments in the Turkish economy and take further action, if necessary, more systematically.

Credit Risk

Credit risk constitutes any exposure to counterparts as a result of lending, hedging, settlement and other financial activities. The Credit Committee is responsible for identifying the adopted approach as well as monitoring the credit risk. The Credit Committee makes decisions with regard to the credit proposals. These decisions must be approved by at least two Supervisory Board members who are non-local Credit Committee members. Parameters for all types of credit exposure are initially discussed in the credit and marketing meetings and are approved by the Management Board. Thereafter

❖❖❖ **TEB N.V. pays the utmost attention to mitigating operational risk utilising comprehensive user manuals, the implementation of effective internal control procedures as well as the efficient administering of Due Diligence.**

credit limits are set down in the proposals and all applications for credit are assessed within these parameters.

For banks and corporates, TEB N.V. has developed an internal rating system comprised of qualitative and quantitative factors. For corporates, the rating system differentiates between balance sheet financing and structured trade finance transactions.

The available lines are defined in detail and by the categorisation of these lines exposure to each product group is, where deemed necessary, checked and controlled by the Credit Administration Unit. The Credit Administration Unit monitors the proper utilisation of established lines on a daily basis.

Market Risk

The foreign exchange, interest rate mismatch, own portfolio position, daily balance sheet and profit & loss results

are reported by the Financial Control Department and managed by the Asset and Liability Committee (ALCO). Experienced management combined with comprehensive MIS reporting and monitoring is key to assessing acceptable levels of related market risks.

Liquidity Risk

Treasury manages the day-to-day liquidity and this process is monitored by the Financial Control Department. In line with liquidity and cash flow policies of the Head Office, liquidity figures and gap reporting are tested periodically against the defined limits.

Operational Risk

Operational risk can be defined as the risk of direct or indirect loss resulting from inadequate and/or failed internal processes, systems and personnel. TEB N.V. pays the utmost attention to mitigating operational risk utilising

comprehensive user manuals, the implementation of effective internal control procedures as well as the efficient administering of Due Diligence. The Customer Due Diligence Policy was introduced by TEB N.V. in 2003. This policy was updated and modified in accordance with the latest developments in the regulatory environment including "know your customer" directives, sanction regulations and establishing relationships with professional investors.

Legal Risk

Legal risk may reflect a negative impact by means of lawsuits, criminal investigations and contingent fines. In order to eliminate any uncertainty and to operate smoothly in a risk free manner, TEB N.V. uses standard agreements for marketed financial products and, when necessary, confers with external legal consultants.

Integrity Risk

Integrity risk arises from inadequate compliance with legal obligations concerning the regulations, standards as well as the code of conduct rules and/or reporting requirements of supervisory authorities. TEB N.V. is profoundly committed to sustaining its reliable reputation in the markets in which it operates. The Internal Audit Department and two compliance officers (one compliance officer is responsible for matters relating to the code of conduct and the other deals with regulatory issues involving prudential supervision) aim to ensure the compliance with the current regulations in order to prevent any operational, legal and/or integrity risks which may be encountered during the operational lifecycle.

Information Technology

Technology plays a central role at TEB N.V.. Great importance is given to meeting our clients' needs and expectations as well as toward increasing the availability of products/services and minimising the cost of services.

In order to keep up with the latest technological developments in 2003, TEB N.V. successfully upgraded its personal computers. Numerous workflow applications have been revised to increase service competence in many operational areas. This is an ongoing task for TEB N.V..

A worldwide application used for transferring funds between banks has been adopted. SWIFT has been successfully updated to a more recent and more secure version called SWIFT Net.

The move to the new premises will result in more effective maintenance and

a more secure environment for equipment at TEB N.V..

Implementation of IFRS, upgrading the operating systems technology and setting the new backup-up system will be the major projects on the agenda for 2004. Implementation of some Basel II-related issues will also take place in 2004.

Concluding Statement

TEB N.V. firmly believes that experience and the effective overseeing of human resources is the key to the Bank's success and the Management Board wishes to thank all the employees at TEB N.V. for all their valuable contributions.

Özden Başaran Odabaşı, **Managing Director**
Aşkın Dolaştır, **Deputy Managing Director**



The Economy Bank N.V.

Financial Statements 2003



Consolidated Balance Sheet
As at December 31, 2003
After Proposed Profit Appropriation (in thousand Euros)

	31 Dec. 03	31 Dec. 02
Assets		
Cash	12,449	12,283
Banks	395,813	433,477
Loans and Advances to Private Sector	247,797	243,706
Interest-bearing Securities	13,296	14,656
Property and Equipment	3,658	312
Other Assets	808	171
Prepayments and Accrued Income	3,644	5,282
Total Assets	677,465	709,887
Liabilities		
Banks	19,763	26,501
Funds Entrusted	605,382	626,877
Other Liabilities	595	5,590
Accruals and Deferred Income	3,780	6,263
	629,520	665,231
Fund for General Banking Risks	1,386	1,135
Share Capital	30,000	25,000
Other Reserves	16,559	18,521
Own Funds	46,559	43,521
Total Liabilities	677,465	709,887
Contingent Liabilities	51,996	62,399

Management Board

Özden Başaran Odabaşı - Managing Director
Aşkın Dolaştır - Deputy Managing Director

Consolidated Income Statement
For the Financial Year Ended
December 31, 2003 (in thousand Euros)

	31 Dec. 03	31 Dec. 02
Interest Income	32,039	52,852
Interest Expense	(26,779)	(46,775)
Interest	5,260	6,077
Commission Income	4,204	4,270
Commission Expense	(95)	(96)
Commission	4,109	4,174
Result on Financial Transactions	52	650
Other Income / (Expense)	(25)	(5)
Total Income	9,396	10,896
Administrative Expenses		
Staff Costs	(2,445)	(2,317)
Other Administrative Expenses	(1,324)	(1,208)
	(3,769)	(3,525)
Depreciation	(173)	(207)
Operating Expenses	(3,942)	(3,732)
Value Adjustment to Receivables	-	(24)
Transfer to Fund for General Banking Risks	(387)	(380)
Total Expenses	(4,329)	(4,136)
Operating Result before Taxation	5,067	6,760
Taxation on Operating Result	(1,766)	(2,366)
Net Profit	3,301	4,394

Consolidated Cash Flow Statements
For the Financial Year Ended
December 31, 2003 (in thousand Euros)

	31 Dec. 03	31 Dec. 02
Cash flows from operating activities		
Net profit	3,301	4,394
<i>Adjustments for:</i>		
Depreciation	173	207
Value adjustment to receivables	-	24
Change in fund for general banking risks	251	247
Cash flow from banking operations	3,725	4,872
Change in securities	1,360	(14,656)
Change in banks (not on demand)	35,984	(306,731)
Change in loans and advances	(4,091)	128,044
Change in funds entrusted	(21,495)	186,564
Other changes in other assets and liabilities	(6,477)	744
Total cash flows from operating activities	5,281	(6,035)
Cash flows from investment activities		
Investment in property and equipment	(3,519)	(79)
Total cash flows from investment activities	(3,519)	(79)
Cash flows from financing activities		
Increase in share capital	-	4,000
Taxation on capital increase from other reserves	(263)	-
Total cash flows from financing activities	(263)	4,000
Net cash flow	5,224	2,758
Cash Balance as at January 1	14,378	11,620
Cash Balance as at December 31	19,602	14,378
Specifications of Cash and Cash Equivalents		
Cash	12,449	12,283
Due from Banks on Demand	7,153	2,095

Balance Sheet

As at December 31, 2003

After Proposed Profit Appropriation (in thousand Euros)

	31 Dec. 03	31 Dec. 02
Assets		
Cash	12,449	12,283
Banks	395,813	433,477
Loans and Advances to Private Sector	247,797	243,706
Interest-bearing Securities	13,296	14,656
Property and Equipment	189	312
Participations	143	125
Other Assets	4,152	46
Prepayments and Accrued Income	3,644	5,282
Total Assets	677,483	709,887
Liabilities		
Banks	19,763	26,501
Funds Entrusted	605,400	626,877
Other Liabilities	595	5,590
Accruals and Deferred Income	3,780	6,263
	629,538	665,231
Fund for General Banking Risks	1,386	1,135
Share Capital	30,000	25,000
Other Reserves	16,559	18,521
Own Funds	46,559	43,521
Total Liabilities	677,483	709,887
Contingent Liabilities	51,996	62,399

Income Statement
For the Financial Year Ended
December 31, 2003 (in thousand Euros)

	31 Dec. 03	31 Dec. 02
Interest Income	32,039	52,852
Interest Expense	(26,779)	(46,775)
Interest	5,260	6,077
Commission Income	4,204	4,270
Commission Expense	(95)	(96)
Commission	4,109	4,174
Result on Financial Transactions	52	650
Other Income / (Expense)	(25)	(5)
Total Income	9,396	10,896
Administrative Expenses		
Staff Costs	(2,445)	(2,317)
Other Administrative Expenses	(1,324)	(1,208)
	(3,769)	(3,525)
Depreciation	(173)	(207)
Operating Expenses	(3,942)	(3,732)
Value Adjustment to Receivables	-	(24)
Transfer to Fund for General Banking Risks	(387)	(380)
Total Expenses	(4,329)	(4,136)
Operating Result before Taxation	5,067	6,760
Taxation on Operating Result	(1,766)	(2,366)
Net Profit	3,301	4,394

Notes to the Financial Statements

General

The Economy Bank N.V. (Bank) was incorporated on 17 November 1998 in Amsterdam, The Netherlands. The Bank is wholly owned by Türk Ekonomi Bankası A.Ş. The financial information of the Bank will be consolidated in the financial statements of Türk Ekonomi Bankası A.Ş. incorporated in Turkey, which is a part of TEB Financial Group. Türk Ekonomi Bankası A.Ş. is a listed company in the Istanbul and London (GDR) Stock Exchanges.

The trade registry office of The Economy Bank N.V. is located at Amsterdam.

The financial statements of the Bank are audited by Ernst and Young Accountants.

The financial statements cover the financial information of The Economy Bank N.V., fully consolidated with the financial information of Kronenburg Vastgoed B.V. (KVBV) which is the real estate company founded with the purpose of the ownership of immovable assets possessed by the Bank. The Bank holds 100% ownership of KVBV.

The custody services company of the Bank (Stichting Custody Services TEB) has not been consolidated to the financial statements of the Bank since the Company only provides services to The Economy Bank N.V. and does not have a material impact on the financial statements.

The Bank's main activities are trade and commodity finance and private banking activities.

Basis of Presentation

The annual accounts for the financial year ended December 31, 2003 were prepared in accordance with the legal requirements for the annual accounts of the banks contained in Part 9, Book 2 of the Netherlands Civil Code and with the recommendations as given by De Nederlandsche Bank N.V. (DNB – Central Bank of The Netherlands).

All amounts are stated in thousand Euros, unless otherwise stated.

Accounting Principles

General

Assets and liabilities are carried at face value, unless stated otherwise below.

Foreign Currency Translation

Foreign currency transactions are recorded at the rate of exchange prevailing on the date of transaction. Assets and liabilities denominated in foreign currencies are translated into Euro, at the spot exchange rates prevailing at balance sheet date. Impact of foreign currency revaluation is realized at the Income Statement under "Result on Financial Transactions".

Foreign currency forward contracts are revalued with the exchange rates estimated for the value date of the transaction, and the difference between the estimated and the contractual rate is realized at the Income Statement under "Result on Financial Transactions".

Foreign currency swap contracts are translated into Euro, at the spot exchange rates prevailing at the balance sheet date. Impact of the revaluation of the foreign currencies is realized at the Income Statement under "Result on Financial Transactions". The interest income or interest expense, which is embedded in the contracts, is realized under "Interest Income / Interest Expense" captions of the Income Statement.

Property and Equipment

The Bank's equipment is stated at cost less straight-line depreciation over the estimated useful life.

The Bank classifies the construction costs of the new premises built for own use and being under construction as of December 31, 2003 at the property and equipment line of balance sheet at the consolidated financial statements and states at the cost value.

Depreciation is calculated using the following rates:

Furniture and Fixtures	20.00%
Office Machinery	33.33%
Motor Vehicles	20.00%
IT Hardware	33.33%
IT Software	33.33%
Pre-operating Expenses	20.00%

Allowance for Credit Losses

Based upon its evaluation on loans granted and placements with banks, management estimates the total allowance, if any, that it believes adequate to cover uncollectable amounts in the Bank's portfolio and losses under contingencies and commitments. The estimates used to determine the allowance for credit losses, are reviewed periodically, and if any adjustment is necessary, they are reported in the income statement of the period in which they become known.

Fund for General Banking Risks

This fund relates to the general banking risks. The movement in the fund is recognized in the income statement under 'Transfer to Fund for General Banking Risks'. The tax payable or reclaimable on the movements in the fund is charged or added to this fund. The level of the fund is based on management's evaluation of the banking risks involved.

Notes to the Financial Statements

Revenue and Expense Recognition

All income and expense items are recognized on an accrual basis.

Cash Flow Statement

For the purposes of reporting of cash flows, cash and cash equivalents are defined as those amounts included in the balance sheet under the caption 'Cash' and 'Banks' which are due on demand excluding the short-term placements to banks. The cash flow statement is presented in line with the indirect method.

Interest-bearing Securities

The interest-bearing securities of the Bank classified under trading portfolio are represented at mark-to-market value. Securities in the investment portfolio of the Bank valued at cost price. The interest income accruals of the investment portfolio is classified under the "Prepayments and Accrued Income" caption of the balance sheet.

Derivative Financial Instruments

Derivative financial instruments consisting of foreign currency forward and swap contracts are initially recognized at cost with subsequent measurement at fair value. Fair value of the derivative contracts are included in the "Prepayments and Accrued Income" and "Accruals and Deferred Income" lines of balance sheet and changes in the fair value are included in the income statement, under "Result on financial transactions".

Risk Management

TEB Group gives special emphasis to maintaining its strong financial position while keeping relatively higher solvency ratios compared to its peer group banks, by applying conservative credit policies and by keeping high asset quality and generous liquidity position. The objective of TEB Group Risk Management (RM) is to ensure that TEB Group keeps on growing in a controlled manner with a satisfactory return on capital, which is in line with macro economic conditions.

During 2001, The Economy Bank N.V. identified approaches with respect to credit risk, market risk and liquidity risk and delegated its monitoring and control responsibilities to the credit committee for credit matters and asset and liability committee (ALCO) for market risk and liquidity. The identified approaches were applied since year 2002 as defined in the procedures of the Bank. In addition to the country risk directive of DNB, the Bank has established an internal country risk policy.

Without any exception, the credit committee takes decisions with regard to credit proposals. These decisions are required to be approved by at least two Supervisory Board members who are non-local credit committee members. Parameters for all types of credit exposure are initially discussed in the credit and marketing meetings and are approved by the Management Board. Thereafter credit limits are set down in the proposals and all applications for credit are assessed within these parameters. Finally, these parameters constitute a guideline in order to form an internal rating system.

ALCO regularly meets to discuss market risk, liquidity and asset allocation. During the meetings, management reports are carefully reviewed and the outcome of the decisions is distributed among related personnel in writing. Treasury manages the day-to-day liquidity and this process is monitored by the Financial Control Department. In line with liquidity and cash flow policies of the Head Office, liquidity figures are tested periodically against the defined limits.

The internal control unit which had been established by the Bank for the purpose of operational risk management was replaced with the Internal Audit Department in 2003 with an extended scope of control responsibilities. In addition to the internal audit reviews and controls, an internal audit team appointed by the Head Office carries out annual inspections over the operations of the Bank.

The Information Technology Department's policy is set out in a detailed policy manual, which has been approved by the Management Board. The policy manual, which is regularly updated, among others provides all necessary guidelines in respect of general procedures, maintenance of hardware and disaster recovery issues.

Balance Sheet

Cash

This includes cash in hand and demand deposits with De Nederlandsche Bank N.V.

Banks (Asset)

The item includes all loans and advances to banks, which are subject to the supervision of local authorities of where they reside.

In 2003, the balance of banks includes placements, loans and advances to group credit institutions amounting to Euro 16,462 (2002 Euro 13,891).

Loans and Advances to Private Sector

These include all loans and advances, excluding the loans and advances given to banks.

In 2003, the balance of loans and advances to private sectors, includes receivables from group companies amounting Euro 38,628 of which Euro 36,530 is cash collateralized (2002 Euro 61,131 of which Euro 58,399 is cash collateralized).

The total amount of uncollectible loans and advances to private sector amounts to 'nil' and Euro 24 as of December 31, 2003 and 2002, respectively. The Bank has booked 100% specific loan loss provision which is netted off from the loans and advances to private sector at the balance sheet. The impact of the specific provisions is presented under "Value Adjustment to Receivables" of income statement.

Notes to the Financial Statements

Property and Equipment

The breakdown of property and equipment as at December 31, 2003 and 2002 is as follows:

	Property	2003 Equipment	Total	2002 Total
Balance Sheet Value as at January 1	55	257	312	440
Additions	3,414	105	3,519	79
Disposals	-	-	-	-
Depreciation	-	(173)	(173)	(207)
Balance Sheet Value as at December 31	3,469	189	3,658	312
Cost of Property and Equipment	3,469	1,231	4,700	1,182
Accumulated Depreciation	-	(1,042)	(1,042)	(870)

The additions to the property and equipment include the construction costs of the new premises of the Bank amounting to Euro 3,414 as of December 31, 2003. There has been no depreciation charge over the construction costs of the new premises in year 2003.

Participations

The participations presented in the Bank balance sheet represent the wholly owned companies Kronenburg Vastgoed B.V. and Stichting Custody Services TEB.

Interest-bearing Securities

The interest-bearing securities portfolio of the Bank is composed of fixed-rate public debt securities and private sector bonds.

The breakdown of the interest bearing securities is as follows:

	2003	2002
Investment Portfolio	2,410	1,652
Trading Portfolio	10,886	13,004
	13,296	14,656

Changes in the investment portfolio over the acquisition price are as follows:

	2003	2002
Balance Sheet Value as at January 1	1,652	-
Purchases	2,410	4,204
Redemptions	(1,652)	(2,552)
Balance Sheet Value as at January 31	2,410	1,652

The fair value and acquisition cost of the interest bearing securities classified in the trading portfolio are Euro 10,886 and Euro 10,559 as of December 31, 2003, respectively.

The redemption value and acquisition cost of the interest bearing securities classified in the investment portfolio are Euro 2,626 and Euro 2,410 as of December 31, 2003, respectively.

Other Assets

This item comprises advances to suppliers and taxes receivable as well as the participation of the Bank in "Stichting Custody Services TEB" amounting Euro 125. Taxes receivable includes the value added tax receivable of Euro 640 related to the construction of new premises of the Bank, which is going to be subject to reassessment when the premises will start to be in business use.

Prepayments and Accrued Income

This item comprises accrued interest receivables and prepaid expenses.

Banks (Liabilities)

This includes all the debts to credit institutions, which have no subordinated nature. In 2003, the amounts owed to banks include Euro 29 (2002 Euro 14,149) payables to group credit institutions.

Funds Entrusted

This includes funds entrusted to the Bank by customers such as current accounts amounting Euro 57,030 and time deposits of Euro 548,352. In 2003, the funds entrusted include Euro 387,031 payables to group and affiliated companies (2002 Euro 432,224).

Notes to the Financial Statements

Other Liabilities

This item comprises payables to various suppliers and payables to tax authorities. Corporate income taxes payable of the Bank, net of prepaid taxes, is Euro 480 (2002 Euro 6,122) and wage tax payable of Euro 66 as of December 31, 2003 (2002 Euro 57).

Accruals and Deferred Income

This item includes expenses recognized, but whose actual payment occurs in a different period as well as the unearned interest income of the bills and letters of credit discounted.

Fund for General Banking Risks

The breakdown of the fund for general banking risks is as follows:

	2003	2002
Balance as at January 1	1,135	888
Transfer to Fund for General Banking Risks	387	380
Taxes Regarding Fund for General Banking Risks	(136)	(133)
Balance as at December 31	1,386	1,135

The accumulated transfer to Fund for General Banking Risks in 2003 and 2002 is Euro 2,133 and Euro 1,746, respectively. The accumulated taxes regarding the Fund for General Banking Risks in 2003 and 2002 are Euro 746 and Euro 611, respectively.

Retirement Benefits

The pension plan is based on a fixed contribution as a percentage of the annual salary, whereby the terms and conditions of the plan are based on each individual's requirements, within a fixed framework, also allowing the individual staff member to contribute for his / her own account. The Bank does not carry any obligation with regards to the retirement pay liability.

Share Capital

The authorized capital amounts to Euro 50,000 consisting of 100,000 shares with a nominal value of full Euro 500 each, of which Euro 30,000 have been issued and fully paid. The changes in the share capital are as follows:

	2003	2002
Balance as at January 1	25,000	21,000
Issues of new shares paid in cash	-	4,000
Issues of new shares added from other reserves	5,000	-
Balance as at December 31	30,000	25,000

Other Reserves

The changes in other reserves are as follows:

	2003	2002
Balance as at January 1	18,521	14,127
Transfer to Share Capital	(5,000)	-
Taxation on Transfer to Share Capital	(263)	-
Profit distribution	3,301	4,394
Balance as at December 31	16,559	18,521

Contingent Liabilities

This balance includes all liabilities arising from transactions in which the Bank has guaranteed the commitments to third parties.

	2003	2002
Letters of Guarantee	7,376	15,827
Irrevocable Letters of Credit	44,620	46,572
	51,996	62,399

Irrevocable Facilities

There are no outstanding irrevocable facilities that could result in a credit risk for the Bank as of 2003 and 2002.

Notes to the Financial Statements

Commitments

Commitments of the Bank in connection with rental obligations amount to Euro 72 (2002 Euro 267) and remaining commitments of the Bank regarding the construction of the new premises amounts to Euro 562 as of December 31, 2003, which are all short-term.

Derivatives

All foreign currency contracts are entered into for hedging purposes. In order to determine the risks involved in the foreign currency and swap contracts, the marking to market method is used. Marking the contracts to market also includes the replacement costs for all contracts with positive value. A contract has a positive value if the Bank would lose profit in the event of non-performance by the counterparty. The notional amounts do not reflect the potential future risks, but can be used as indication of the size of the business.

As at December 31, 2003, the total Euro equivalent of outstanding forward and swap foreign exchange transactions entered into for hedging purposes was Euro 11,037 (2002 Euro 6,847).

The breakdown and credit equivalent of the derivative currency contracts is as follows:

Year 2003	Total	Less than 1 Year	Credit Equivalent		Positive Replacement Cost
			December 31, 2003 Unweighted	December 31, 2003 Weighted	
Forwards	11,037	10,743	-	-	294
Total	11,037	10,743	-	-	294
Year 2002	Total	Less than 1 Year	Credit Equivalent		Positive Replacement Cost
			December 31, 2003 Unweighted	December 31, 2003 Weighted	
Forwards	4,805	4,744	-	-	61
Swaps	2,042	2,000	-	-	42
Total	6,847	6,744	-	-	103
Forwards		418	181	47	21
Swaps		-	-	20	4
Total		418	181	67	25

Custody Services

The Bank provides custody services to its clients with respect to their security transactions through its participation, Stichting Custody Services TEB. Since the Company only provides services to The Economy Bank N.V. and does not have a material impact on the financial statements of the Bank, they have not been consolidated. The total nominal amount of assets held in custody for the clients of the Bank as of December 31, 2003 is Euro 64,447 (2002 Euro 40,162).

Liabilities Pledged to the Bank

In connection with the risk assets and contingent transactions, funds entrusted amounting to Euro 130,053 and Euro 5,714 have been allocated as pledge to the Bank against the assets and contingent items, respectively as of December 31, 2003 (2002 Euro 171,249 and Euro 6,020, respectively).

Related Party Transactions

A number of transactions have been facilitated with group and affiliated companies on an arm's length basis in the normal course of the business. These transactions include loans, deposits, letters of credit, bills discounted, and were carried out on commercial terms at market rates.

Concentration of Credit Risks

The loans and advances to the private sector, letters of guarantee and import letters of credit issued on behalf of the customers amount to Euro 281,500 (2002 Euro 293,098) of which credit risk of Euro 135,767 (2002 Euro 177,269) is secured in the form of cash collateral. The loans and advances to banks, letters of guarantee and export letters of credit amount to Euro 414,106 (2002 Euro 446,483) of which credit risk of Euro 'nil' (2002 "nil") is secured in the form of cash collateral. The Bank also received letters of guarantee from other banks amounting to Euro 9,940 (2002 Euro 8,411). The breakdown of banks, loans and advances and contingent liabilities by concentration of geographical regions is as follows:

Notes to the Financial Statements

	2003		2002	
Turkey	300,775	43.2%	319,875	43.3%
The Netherlands	68,711	9.9%	11,587	1.6%
Other	326,120	46.9%	408,119	55.1%
	695,606	100%	739,581	100%

Industry distribution of loans and advances to the private sector, letters of guarantee and import letters of credit issued on behalf of the customers is as follows:

	2003		2002	
Trade Companies	68,163	24.2%	68,154	23.3%
Transportation	38,730	13.8%	61,130	20.9%
Metals and Metallurgy	30,504	10.8%	31,011	10.6%
Agriculture and Fertilizers	24,119	8.6%	28,412	9.7%
Wood and Paper Products	21,997	7.8%	26,089	8.9%
Textiles	21,976	7.8%	18,541	6.3%
Pharmaceuticals and Chemicals	11,949	4.2%	10,658	3.6%
Petroleum	10,307	3.7%	6,828	2.3%
Factoring	9,950	3.5%	6,577	2.2%
Investment Companies and Holdings	8,900	3.2%	6,227	2.1%
Construction and Side Industries	7,386	2.6%	5,070	1.7%
Financial Services	6,770	2.4%	4,647	1.6%
Private Persons	5,054	1.8%	4,176	1.4%
Automotive and Machinery	3,506	1.2%	3,765	1.3%
Leasing	3,243	1.2%	-	0.0%
Others	8,946	3.2%	11,813	4.1%
	281,500	100%	293,098	100%

Foreign Currency

As at December 31, 2003, the total Euro equivalent of assets denominated in foreign currencies amounts to Euro 610,702 (2002 Euro 640,187), and the total equivalent of liabilities denominated in foreign currencies is Euro 606,232 (2002 Euro 634,266). All currencies fixed to the Euro are classified as local currencies.

Maturity Distribution

As at December 31, 2003, the maturity distribution of risk assets and liabilities is as follows:

Assets	Up to 3 Months	3 to 12 Months	1 to 5 Years	Longer than 5 Years	Total
Banks	365,090	29,848	875	-	395,813
Loans and Advances to Customers	115,252	85,708	46,837	-	247,797
Total	480,342	115,556	47,712	-	643,610
Liabilities	Up to 3 Months	3 to 12 Months	1 to 5 Years	Longer than 5 Years	Total
Banks	19,763	-	-	-	19,763
Funds Entrusted	493,394	67,164	44,824	-	605,382
Total	513,157	67,164	44,824	-	625,145

Fair Value of Financial Instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The assets and liabilities of The Economy Bank N.V. mainly consist of financial instruments. For most of the financial instruments market values are not available. Since the interest period of these financial instruments is remaining within one year as at December 31, 2003 and 2002, fair values are approximately their respective carrying values.

Notes to the Financial Statements

Solvency Ratio

The BIS solvency ratio of the bank is 22% and 24% as of December 31, 2003 and 2002, respectively.

The solvency ratio, calculated in accordance with the directive of DNB, which is applicable starting from December 31, 2000 and requiring the inclusion of an additional country risk exposure, is 12% both for December 31, 2003 and 2002.

Own funds of the Bank including fund for general banking risks amounts to Euro 47,945 (2002 Euro 44,656).

The following table analyzes actual capital adjusted for cumulative impact of fund for general banking risks and minimum requirements in accordance with the supervision of DNB.

	2003		2002	
	Required	Actual	Required	Actual
Total Own Funds	32,725	47,945	29,677	44,656
Total Own Funds Ratio	8%	12%	8%	12%
Tier I Capital	16,363	47,945	14,838	44,656
Tier I Ratio	4%	12%	4%	12%

Income Statement

Interest

This item includes interest income from loans and advances, placements and interest expenses on funds entrusted and borrowed. The foreign exchange loss incurred by the Turkish lira placements and foreign exchange gain incurred by the Turkish lira funds entrusted and borrowed are classified in "Results on Financial Transactions".

Commission

This includes the income from domestic and international payments, income received through the letters of credit and letters of guarantee issued or confirmed by the Bank, and the private banking service commissions. Commissions generated from trade finance transactions and payments amount to Euro 3,843 and commissions generated from private banking and other banking services amount to Euro 361.

Result on Financial Transactions

The breakdown of the result on financial transactions is as follows:

	2003	2002
Forfeiting Income	30	21
Securities Trading Income / (Loss)	(15)	119
Foreign Exchange Gain / (Loss)	37	510
	52	650

Other Income / (Expense)

This item consists of income realized from insurance companies and the net cost allocation between the Bank and Stichting Custody Services TEB.

Staff Costs

The breakdown of the staff costs is as follows:

	2003	2002
Salaries and Bonuses	2,211	2,125
Pension Expenses	15	58
Social Security Contributions	63	57
Others	156	77
	2,445	2,317

The average number of employees for the year of 2003 is 34 (2002 is 31). The number of personnel employed in The Netherlands is 30 and 7 personnel are employed in Turkey as of December 31, 2003. The remuneration of members of the Supervisory Board and Management Board amounted to Euro 54 (2002 Euro 54) and Euro 612 (2002 Euro 678), respectively. The remuneration of Mr. Maarten Hulshoff, who has Dutch nationality and has been a Supervisory Board member since March 16, 2001, amounts to Euro 22 (2002 Euro 22).

Other Administrative Expenses

This item includes office overheads, automation costs and other general expenses.

Notes to the Financial Statements

Depreciation

This item is made up of depreciation of equipment.

Transfer to Fund for General Banking Risks

This item comprises movements in the fund for general banking risks in order to maintain the fund, at the required level.

Taxation on Operating Result

The effective tax rate of the Bank is 35%, which does not differ materially from the nominal tax rate.

Supplementary Information

The Articles of Association with respect to Profit Appropriation

Profit is appropriated in accordance with the article 31 of the articles of association. The main stipulations governed in this are as follows:

- The profits shall be at the disposal of the general shareholders meeting.
- Dividends may be paid only up to an amount, which does not exceed the amount of the distributable part of the net assets.
- Dividends shall be paid after adoption of the annual amounts from which it appears that payment of dividends is permissible.

Proposed Profit Appropriation

Appropriation of net profit pursuant to article 31 of the articles of association is as follows:

Additions to Other Reserves	Euro 3,301
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AUDITORS' REPORT

Introduction

We have audited the financial statements of The Economy Bank N.V., Amstelveen, for the year ended December 31, 2003. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at December 31, 2003 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Amsterdam, March 19, 2004

Ernst & Young Accountants

Türk Ekonomi Bankası Anonim Şirketi

Consolidated Financial Statements



The attached financial statements have been extracted from the 2003 Annual Report of Türk Ekonomi Bankası A.Ş.

Consolidated Balance Sheet As at December 31, 2003

(Currency - In billions of Turkish lira in equivalent purchasing power at December 31, 2003)

	2003	2002
ASSETS		
Cash and balances with the Central Bank	580,112	490,825
Deposits with banks and other financial institutions	837,746	1,184,520
Other money market placements	434,685	471,864
Reserve deposits at the Central Bank	149,601	151,625
Trading securities	52,488	61,130
Investment securities	91,936	65,226
Originated loans and advances	1,725,282	1,511,509
Factoring receivables	114,223	76,304
Minimum lease payments receivable	151,054	97,740
Derivative financial instruments	4,385	4,624
Premises and equipment	48,462	48,253
Intangible assets	4,213	4,264
Deferred tax assets	5,458	-
Other assets	43,556	34,284
Total assets	4,243,201	4,202,168

Consolidated Balance Sheet As at December 31, 2003

(Currency - In billions of Turkish lira in equivalent purchasing power at December 31, 2003)

	2003	2002
LIABILITIES AND EQUITY		
Deposits from other banks	153,979	120,401
Customers' deposits	2,919,778	3,092,651
Other money market deposits	15,436	26,011
Funds borrowed		
- Subordinated debt	21,151	28,393
- Other funds borrowed	594,585	449,686
Factoring payables	64,601	31,884
Derivative financial instruments	7,113	5,205
Other liabilities and provisions	113,915	123,649
Income taxes payable	8,979	15,264
Deferred tax liability	-	2,372
Total liabilities	3,899,537	3,895,516
Minority interest	17,700	13,556
Share capital issued	55,125	55,125
Adjustment to share capital	214,998	214,998
Currency translation differences	1,855	7,192
Legal reserves and accumulated profits (deficit)	53,986	15,781
Total equity	325,964	293,096
Total liabilities and equity	4,243,201	4,202,168

Consolidated Income Statement for the year ended December 31, 2003

(Currency - In billions of Turkish lira in equivalent purchasing power at December 31, 2003)

	2003	2002
Interest income		
Interest on originated loans and advances	218,786	235,061
Interest on securities	25,017	66,705
Interest on deposits with banks and other financial institutions	45,126	71,355
Interest on other money market placements	87,268	97,254
Interest on financial leases	27,606	26,060
Other interest income	21,497	20,521
Total interest income	425,300	516,956
Interest expense		
Interest on deposits	(185,838)	(204,457)
Interest on other money market deposits	(16,218)	(32,728)
Interest on funds borrowed	(35,359)	(57,172)
Other interest expense	(12,672)	(1,604)
Total interest expense	(250,087)	(295,961)
Net interest income	175,213	220,995
Provision for possible loan, lease, factoring and other receivables losses	(4,609)	(17,325)
Net interest income (expense) after provision for possible loan, lease, factoring and other receivables losses	170,604	203,670
Foreign exchange gain (loss)	(2,675)	(16,383)
Net interest income after foreign exchange gain (loss) and provision for possible loan, lease, factoring and other receivables losses	167,929	187,287
Other operating income		
Fees and commissions income	30,707	28,159
Income from banking services	22,339	23,523
Trading income (loss)	43,307	24,738
Other income	24,194	19,943
Total other operating income	120,547	96,363
Other operating expense		
Fees and commissions expense	(16,586)	(19,686)
Salaries and employee benefits	(75,571)	(68,477)
Depreciation and amortization	(14,652)	(15,533)
Taxes other than on income	(12,850)	(14,869)
Other expenses	(54,277)	(56,288)
Total other operating expense	(173,936)	(174,853)
Profit from operating activities before income tax, monetary gain (loss) and minority interest	114,540	108,797
Income tax	(30,780)	(32,278)
Monetary gain (loss)	(28,118)	(48,616)
Net profit from ordinary activities	55,642	27,903
Minority interest	(1,109)	(1,073)
Net profit	54,533	26,830
Earnings per share		
Basic	495	244

Consolidated Statement of Changes in Equity for the year ended December 31, 2003
(Currency - In billions of Turkish lira in equivalent purchasing power at December 31, 2003)

	Share capital	Adjustment to share capital	Currency translation differences	Legal reserves and accumulated profits (deficit)	Total
At January 1, 2002	55,125	469,784	5,880	(265,835)	264,954
Accumulated losses netted off	-	(254,786)	-	254,786	-
Currency translation differences	-	-	1,312	-	1,312
Net profit for the year	-	-	-	26,830	26,830
At December 31, 2002	55,125	214,998	7,192	15,781	293,096
Dividend distribution	-	-	-	(16,328)	(16,328)
Currency translation differences	-	-	(5,337)	-	(5,337)
Net profit for the year	-	-	-	54,533	54,533
At December 31, 2003	55,125	214,998	1,855	53,986	325,964

Consolidated Cash Flow Statement for the year ended December 31, 2003

(Currency - In billions of Turkish lira in equivalent purchasing power at December 31, 2003)

	2003	2002
Cash flows from operating activities		
Interest received	431,560	536,418
Interest paid	(244,076)	(314,209)
Dividend received	171	-
Fees and commissions received	30,707	28,159
Income from banking services	22,339	23,523
Trading income (loss)	43,307	24,738
Recoveries of loans previously written off	3,244	1,144
Fees and commissions paid	(16,586)	(19,686)
Cash payments to employees and other parties	(75,571)	(68,477)
Cash received from other operating activities	20,779	19,943
Cash paid for other operating activities	(67,078)	(71,157)
Income taxes paid	(52,928)	(45,788)
Cash flows from operating activities before changes in operating assets and liabilities	95,868	114,608
Changes in operating assets and liabilities		
Net (increase) decrease trading securities	1,189	(50,862)
Net (increase) decrease in reserve deposits at the Central Bank	(18,620)	859
Net (increase) in originated loans and advances	(213,773)	(135,825)
Net (increase) decrease in factoring receivables	(48,344)	(17,243)
Net (increase) decrease in minimum lease payments receivable	(66,775)	(27,278)
Net (increase) decrease in other assets	(14,491)	(4,699)
Net increase (decrease) in deposits from other banks	49,422	18,698
Net increase in customers' deposits	(172,873)	683,760
Net increase (decrease) in other money market deposits	(7,562)	(276,739)
Net increase in factoring payables	37,460	15,700
Net increase (decrease) in other liabilities	8,124	(9,954)
Net cash from operating activities	(350,375)	196,417
Cash flows from investing activities		
Purchases of available-for-sale securities	-	(19,963)
Proceeds from sale and redemption of available-for-sale securities	17,236	174,919
Purchases of held-to-maturity securities	(55,766)	(45,264)
Proceeds from redemption of held-to-maturity securities	3,773	56,302
Disposal of subsidiaries and associates net of cash disposed	-	(550)
Purchases of premises and equipment	(15,786)	(17,393)
Proceeds from the sale of premises and equipment	2,135	1,849
Purchase of intangible assets	(1,618)	(2,112)
Net cash provided by (used in) investing activities	(50,026)	147,788
Cash flows from financing activities		
Proceeds from funds borrowed	520,444	400,414
Repayments of funds borrowed	(382,523)	(445,470)
Dividends paid	(16,328)	-
Net cash provided by (used in) financing activities	121,593	(45,056)
Effect of net foreign exchanges difference and monetary gain (loss) on cash and cash equivalents	(17,569)	(49,750)
Net increase in cash and cash equivalents	(296,377)	364,007
Cash and cash equivalents at beginning of year	2,111,334	1,747,327
Cash and cash equivalents at end of year	1,814,957	2,111,334

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