



TEB

THE ECONOMY BANK N.V.

ANNUAL REPORT, 2005



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Financial Highlights

Key Figures (€ 000's)	2005	2004	2003	2002
Net Profit	4,678	4,826	3,301	4,394
Profit before tax	6,828	7,466	5,454	7,140
Total assets	692,869	613,953	677,465	709,887
Paid-in capital	30,000	30,000	30,000	25,000
Total Equity	57,448	52,770	46,559	43,521
Interest-bearing assets	685,656	608,195	656,906	691,839
Interest-bearing liabilities	632,220	558,775	625,145	653,378
Contingents	190,655	79,721	51,996	62,399
Key Ratios	2005	2004	2003	2002
Solvency	21%	24%	22%	24%
Return on average own funds	8%	10%	8%	11%
Total assets/Own funds (times)	12	12	15	16
Cost/Income ratio	48%	41%	46%	38%
Commission income/Operating expenses	99%	114%	109%	118%
Net profit per staff member	90	121	97	142

Note: 2003 and 2002 figures are stated in accordance with Dutch GAAP.

TEB

Financial Services

Group

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TEB (TÜRK EKONOMİ BANKASI A.Ş.)

Originally established in 1927 as a small-scale regional bank, Türk Ekonomi Bankası (TEB) offers corporate, commercial, retail - including small business - and private banking customers a wide range of contemporary banking services and products. Currently, TEB is operating through a well chosen geographic and economic network with 113 (as of December 31, 2005) branches in Turkey, an offshore branch in Bahrain and a wholly-owned subsidiary bank in the Netherlands.

The strong performance and synergy between the bank and its subsidiaries, as well as the expansion of its distribution network, have underpinned TEB's reputation as a successful and well-integrated banking and financial services group.

TEB owes much of this success to its experienced management who comply fully with international standards, corporate governance principles and ethical values of the banking profession. The senior staff members regularly review strategic goals and decisions, analysing the risks related to financial markets, lending and liquidity as well as managerial and implementation issues.

On February 10, 2005, 50% of the shares of TEB Mali Yatırımlar, the major shareholder of TEB, were sold to BNP Paribas, which now controls 42.125% of TEB.

TEB is a listed company on the Istanbul Stock Exchange where 15.71 % of its shares are currently traded. Similarly, TEB shares have been listed and traded as GDRs on the London Stock Exchange since 2000.

TEB INVESTMENT

(TEB YATIRIM MENKUL DEĞERLER A.Ş.)

TEB Investment is TEB's subsidiary specialised in investment banking and corporate finance as well as in the trading of equity and fixed income securities on behalf of Turkish and international corporate and private investors.

TEB Investment has a paid-up capital of TRY 12,950,000, which is wholly owned by TEB and its subsidiaries.

TEB LEASING (TEB FİNANSAL KİRALAMA A.Ş.)

TEB's financial leasing subsidiary, TEB Leasing, provides finance to 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. Its mission is to provide the best method of long-term finance to meet the customers' investment requirements.

TEB Leasing has a paid-up capital of TRY 29,500,000 and is wholly owned by TEB.

TEB offers corporate, commercial, retail and private banking customers a wide range of contemporary banking services and products.

TEB FACTORING (TEB FAKTORİNG A.Ş.)

In another step towards TEB'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 organisation in Turkey in export-related and forfaiting transactions.

TEB Factoring has a paid-up capital of TRY 6,200,000 and is wholly owned by TEB.

TEB INSURANCE (TEB SİGORTA A.Ş.)

TEB Insurance offers non-life insurance in the areas of fire, marine, accident and engineering insurance. TEB Insurance was the first Turkish insurance company to be rated by the international rating agency Fitch, which awarded the Company with a national rating of A- in January 2001. This rating carries substantial importance in the Turkish insurance industry and the rating has remained the same since it was first awarded.

TEB Insurance has a paid-up capital of TRY 30,000,000 and is wholly owned by TEB Mali Yatırımlar A.Ş.

TEB ASSET MANAGEMENT (TEB PORTFÖY YÖNETİMİ A.Ş.)

TEB Asset Management is one of the country's largest fund managers and has an extensive Internet distribution capacity. The Company has signed a third-party distribution agreement with Citibank Turkey for the marketing of TEB funds.

TEB Asset Management has a paid-up capital of TRY 2,409,917 and is wholly owned by TEB and its subsidiaries.

TEB PRECIOUS METALS (TEB KIYMETLİ MADENLER A.Ş.)

TEB Precious Metals is involved in importing and domestic trading of precious metals. The Company has a paid-up capital of TRY 100,000 and is 100% owned by TEB Mali Yatırımlar A.Ş.

VARLIK INVESTMENT TRUST (VARLIK YATIRIM ORTAKLIĞI 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 TRY 3,739,223, of which 34% belongs to TEB.

The Economy Bank N.V. in Brief

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Incorporated 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. Akın Akbaygil, *Vice Chairman*

Michel Roger Chevalier, *Member (Since July 31, 2005)*

Varol Civil, *Member*

Sigurd Fischer-Guettich, *Member*

Maarten J. Hulshoff, *Member*

John Shakeshaft, *Member*

H. T. Çolakoğlu, *Vice-Chairman (Resigned as of June 10, 2005)*

İsmail Yanık, *Member (Resigned as of July 1, 2005)*

Rafael Taranto, *Member (Resigned as of June 13, 2005)*

H.T. Çolakoğlu, *Advisor (Since June 10, 2005)*

MANAGEMENT BOARD

Özden Başaran Odabaşı, *Managing Director*

Aşkın Dolacı, *Deputy Managing Director*

CORPORATE OFFICERS

Özgür Şentürk, *Vice President – Trade & Commodity Finance*

Didem İkikardeş, *Assistant Vice President – Financial Institutions*

Semih Gümüştekin, *Vice President - Treasury*

Nathalie Leviyol, *Vice President – Private Banking*

Özkan Ağırkaya, *Vice President – Documentary Credits & Guarantees*

Rien Stekete, *Vice President – Back Office Operations*

Sami T. Yücel, *Financial Controller*

Salih T. Yavuz, *Internal Auditor*

Henk Cordewener, *Manager – Accounting*

Ahmet Baysa, *IT Manager – Information Technology*

Banu Yakalı, *Assistant Vice President – Credit Administration*

Byron Kruip, *Compliance Officer*

REPRESENTATIVE OFFICE

Sedef Güven Gevrek, *Representative*

TEB N.V. is a subsidiary of TEB A.Ş. which is wholly owned by TEB Mali Yatırımlar A.Ş. in which BNP Paribas has a 50% stake.

>> Report of the
Supervisory Board

Report of the Supervisory Board

The Supervisory Board Roles and Responsibilities

The Supervisory Board reports directly to the General Meeting of Shareholders. In line with standard Dutch business practice, its role is the timely and ongoing supervision of TEB N.V.'s Management Board and corporate activities. This task was pursued continually throughout the reporting year. TEB N.V. is a subsidiary of TEB A.Ş. which is wholly owned by TEB Mali in which BNP Paribas has a 50% stake. The parent company appoints a number of Supervisory Board members. In addition, TEB N.V. also has three independent Supervisory Board members. All Supervisory Board appointments are based on the member's long-standing experience and skills in TEB N.V.'s core business areas.

During the reporting year, Mr. Michel Chevalier was appointed as a new Supervisory Board member, Mr. H. T. Çolakoğlu, Mr. İsmail Yanık and Mr. Rafael Taranto, who have been Supervisory Board members since the establishment of the bank, resigned from their seats on the Supervisory Board as of June 10, 2005, July 1, 2005, June 13, 2005 respectively, due to organizational changes following the partnership with BNP Paribas. After this partnership Mr. H. T. Çolakoğlu was appointed as an advisor to the Supervisory Board.

In its current composition, the Supervisory Board numbers seven, including a chairman and a vice-chairman. During the reporting year, the Supervisory Board met four times; the Management Board was present at all meetings. In addition to discussions on Basel II and International Financial Reporting Standards (IFRS), which were adopted as new accounting standards by

TEB N.V. as at 1 January 2005, regular topics included:

- financial performance;
- credit and other risk management;
- short and long-term corporate strategy;
- the organizational structure, including new product development; and
- potential growth markets.

Supervisory Board Committees

From its members, a number of Supervisory Board committees are composed: Audit, Credit and Remuneration. Supervisory Board members are appointed to committees based on their experience in the discipline concerned (please see page 8 for compositions). The committees' role is to advise both Supervisory and Management Boards on issues arising from these specific disciplines. All committees report directly to the Supervisory Board.

The Audit Committee

As defined in the Audit Committee Charter, the Audit Committee's tasks are, among others, reviewing performance of the external auditors, supervision of the audit of the annual accounts, review of the procedures on risk management and internal control processes (also related to the best practice of Dutch corporate governance principles), and monitoring regulatory compliance and the maintenance of high banking standards. The Audit Committee met four times during the reporting year, ahead of Supervisory Board meetings; the Management Board was present at all Audit Committee meetings except one where the Committee held an exclusive session with the external auditors.

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 Credit Committee

The Committee assists the Supervisory Board in fulfilling its statutory responsibilities with respect to internal credit risk assessment and valuation process. The Committee assists the Supervisory Board in its oversight of:

- (i) reliable classification of credits on the basis of credit risk;
- (ii) appropriate validation of any internal credit risk assessment model;
- (iii) adoption and documentation of a sound credit loss methodology, which addresses credit risk assessment procedures and controls for assessing credit risk, identifying problem loans and determining loan provisions in a timely manner; and
- (iv) effective credit grading systems that through consistent application, identifies and accurately rates different credit risk characteristics.

The Supervisory Board has appointed a Credit Committee comprised of four members, of whom one is a Supervisory Board member. In 2005, local approval authority was reviewed and TEB N.V. Management's approval authority enhanced. Marketing officers prepare credit proposals. Final authorizations for initial line establishments and renewals are the responsibility of the Management Credit Committee and the Managing Director up to defined approval limits. For amounts exceeding the local approval authority, ultimate approval rests with the Supervisory Board Credit Committee, one of whose members is a TEB N.V. Supervisory Board member. For more information on credit procedures and approval processes, please see Report of the Management Board, on page 18.

The Remuneration Committee

The aim of TEB N.V.'s remuneration policy is to attract, reward and retain high calibre and committed professional personnel. Although working internationally, Turkish business is an important part of TEB N.V.'s activities. This means personnel at all levels must have specific (banking) experience, skills and, for those dealing directly with Turkish clients, knowledge of this and/or other relevant markets. TEB N.V. has a comprehensive remuneration package, comparable with sector standards and consisting of fixed and variable components. The Remuneration Committee's role is to evaluate and review changes to remuneration guidelines, as proposed by the Management Board. The Committee met twice during the reporting year. Due to the strategic partnership with BNP Paribas, a review of remuneration policies was carried out during 2005.

As we submit this 2005 Annual Report and financial statements, we would like to express our gratitude to Mr. H.T. Çolakoglu, Mr. İsmail Yanık and Mr. Rafael Taranto for their contribution to TEB N.V. during their term as Supervisory Board members. We would like to take this opportunity to thank our shareholders for their full commitment and continuing support.

We also wish to express our sincere appreciation to the Management and personnel for the positive results generated in 2005, a period which required a lot of organizational changes as a result of BNP Paribas merger. It is their commitment and efforts that have driven the positive results generated during 2005. We would further like to reiterate our commitment to providing the best possible service to our clients and to our business counterparties, now and in the coming years.

Supervisory Board

April 18, 2006

The Supervisory Board

Yavuz Canevi (1939), Chairman

Turkish national. Appointed: 17.11.1998

In addition to various positions with TEB Group companies, Mr. Yavuz Canevi is presently the Chairman of the Board of Directors of, Türk Ekonomi Bankası (TEB/BNP Paribas J.V.). He is also on the board of several prominent corporations, professional organizations and NGO's including, FNSS Defense Systems, TÜSİAD (Turkish Industrialists' and Businessmen's Association, IKV (Economic Development Foundation), Turkish Industrial Development Bank (TSKB), Hedef Alliance Unichem, and Netaş Nortel Networks. Mr. Canevi is the former Governor of Central Bank of Turkey and former Undersecretary of Treasury and Foreign Trade.

Dr. Akin Akbaygil (1944), Vice-Chairman

Turkish national. Appointed: 17.11.1998

Committees: Credit Committee

Deputy Chairman and Executive Director of TEB A.Ş. and Director/General Manager of TEB Financial Investments (the Group's holding company). He also holds a number of other senior positions within the TEB Financial Services Group. In the banking business since 1965, joined TEB Group in 1982. He has also been the Chairman of the Turkish Banks' Association. He holds a Doctorate in Economics.

Michel Roger Chevalier (1951), Member

French national. Appointed: 31.07.2005

Committees: Audit Committee,

Remuneration Committee

Head of Asia, Turkey and Israel for BNP Paribas International Retail and Financial Services, Emerging and Overseas Markets, Michel Chevalier is also Director of TEB Mali (the holding company) and Turk Ekonomi Bankası in Istanbul. He is also a member of the Board of BNP Paribas' affiliate in Nanjing, China, Nanjing City Commercial Bank. Mr. Chevalier has been associated with BNP Paribas for 32 years, primarily on international assignments in North and Latin America, Asia and Africa.

Varol Civil (1961), Member

Turkish national. Appointed: 15.03.2004

Currently General Manager of TEB A.Ş., Mr. Civil joined TEB in 1998 as General Manager of TEB Mali (the holding company of the TEB Group). Mr. Civil has experience in a variety of banking disciplines in addition to having been Auditor with the Turkish Undersecretariat of Treasury and Foreign Trade for seven years.

Sigurd Fischer-Guettich (1940), Member

German national. Appointed: 07.04.2000

Mr. Fischer-Guettich has had 35 years of banking experience in Germany, the US, France and Lebanon. Most recently Mr. Fischer-Guettich has held the position of Executive Vice President and General Manager of the International Banking Division of BHF- Bank Frankfurt.

Maarten J. Hulshoff (1947), Member

Dutch national. Appointed: 16.03.2001

Committees: Audit Committee

Currently CEO of Rodamco Europe N.V. and Supervisory Board member of NIB Capital (Bank) N.V., Mr. Hulshoff held a variety of general management positions with Citigroup in Europe and Asia from 1976 to 1995. Following this, he was appointed Chairman of NCM Holding N.V. and later CEO of Rabobank International.

John Shakeshaft (1954), Member

British national. Appointed: 19.03.2004

Committees: Remuneration Committee

Mr. Shakeshaft is currently Managing Director of Financial Institutions with ABN AMRO bank. Following a number of years with the UK diplomatic service, he joined Morgan Grenfell & Co in 1986, and then moved to ING Barings as Managing Director Corporate Finance and Capital Markets in 1994. In 2000, he became a Partner in Lazard LLC. Now a Supervisory Board member at Tele2 AB and Cambridge University, with Audit Committee responsibilities at both, he is also a member of the Board and the Audit Committee of Questair Inc, listed in Toronto and London.

Supervisory Board Committees*

Remuneration Committee Members

Hasan Tevfik Çolakoğlu (Chairman)

Michel Chevalier (Since December 9, 2005)

John Shakeshaft (Since December 9, 2005)

Özden Başaran Odabaşı

Audit Committee Members

Akın Akbaygil (Resigned as Chairman from the Committee on December 9, 2005)

Maarten Hulshoff (Chairman, since December 9, 2005)

Michel Chevalier

İsmail Yanık

Attendee Members

Johannes Bonnel (Since December 9, 2005)

Ayşe Özdemir (Since December 9, 2005)

OzdenBaşaran Odabaşı

Aşkın Dolaştır

Salih Tanju Yavuz (Secretary)

Credit Committee Members

Supervisory Board Credit Committee

Akın Akbaygil (Chairman)

Hasan Tevfik Çolakoğlu

Nuri Tuncalı

Yavuz Canevi (Resigned on November 8, 2005)

İsmail Yanık (Resigned on July 1, 2005)

Management Credit Committee

Özden Başaran Odabaşı (Chairman)

Aşkın Dolaştır

Yavuz Tayfun (Between October 31, 2005 and April 13, 2006)

Orkun Mungan (Resigned on April 30, 2005)

*TEB N.V. Supervisory Board took a decision to welcome designated executives of the Group to the Supervisory Board committees as permitted by the supervisory authority.

TEB N.V.'s aims are to become one of the leading financial institutions specialized in trade finance in EU for the Turkish market and to grow its activities in the Mediterranean basin, selected countries in CIS and in the Black Sea basin.

>> Report of the
Management Board

Report of the Management Board

In 2005, TEB N.V.'s total assets reached Euro 693 million, up from Euro 614 million in 2004.

Introduction

In the eight years since The Economy Bank N.V. (TEB N.V.) was established in the Netherlands, it has made significant progress in achieving its mission: to become one of the most effective and service-oriented financial institutions specialized in both Turkish and European financial markets and trade finance products, and to grow the assets of its private banking clientele of high net worth individuals. In 2005, TEB N.V.'s total assets reached Euro 693 million, up from Euro 614 million in 2004. Thanks to deployment of conservative risk-management procedures, TEB N.V. has no Non-Performing Loans. In the reporting year, 2005, TEB N.V. reached another peak in its trade-related transactions volume.

Performance in 2005

The reporting year, 2005, is the first time TEB N.V. reports its financials according to International Financial Reporting Standards (IFRS). In 2005, TEB N.V. generated a net result of Euro 4.7 million; performance is just under that of 2004 (Euro 4.8 million) due to a mild downward trend in margins. Return on equity demonstrated a slight downward trend, reaching 8.86% (2004: 10.07%). Total income for the year amounted to Euro 13.1 million, representing a ratio of 2.09 times administrative expenses. The Bank's trade finance volume improved 8%, reaching Euro 1.2 billion, compared to the already notable Euro 1.1 billion achieved in 2004 - for comparative key figures, please see page 01.

In line with the increased risk assets, the BIS ratio decreased slightly to 20.63% in 2005 well above the minimum BIS ratio requirement of 8% (2004: 24%). This strong BIS ratio confirms the quality of the risk assets and is a good indicator of the adequacy of the shareholders' equity. Total risk assets and contingencies grew to Euro

795 million, up from Euro 621 million in 2004, and total own funds rose to Euro 57.4 million (2004: Euro 52.8 million). As in the past, the short-term nature of The Bank's risk assets enabled TEB N.V. to manoeuvre easily, even in the most volatile market conditions, and to respond efficiently to changing economic environments. In 2005, the average original maturity was 133 days (2004: 108) for assets and 88 days (2004: 62) for risk assets.

New premises

The new premises built by TEB N.V. for its own use and offering a modern working environment have proved an additional motivation for staff performance. The Bank's open-plan environment has stimulated communication and improved cooperation and interaction between employees, further enhancing transparency.

Looking ahead

TEB N.V. works closely with its parent company, specifically on technology, risk management, legal and human resources. As in the past, in 2006, the goal is to concentrate on trade finance activities in a number of target regions, such as North Africa and Asia, the Black Sea, Caspian Sea and Mediterranean basin, and some CIS countries.

Due to high liquidity world-wide and narrowing margins, even in emerging markets, 2006 will be a challenging year.

In the year ahead, TEB N.V.'s aim is to further develop the Private Banking department, facilitated by the addition of new products to the existing range, such as structured notes, futures and options.



Özden Başaran Odabaşı, *Managing Director*



Aşkın Dolaştır, *Deputy Managing Director*

In 2006, TEB N.V. will further focus on IT projects which will support an increase in overall efficiency. One of the key projects for analyzing the business is the "Data Warehouse" project, through which TEB N.V. will not only generate necessary MIS data, but also required information for the BASEL II project.

On 10 February 2005, our parent company announced a 50%-50% joint venture between BNP Paribas and TEB Mali Yatırımlar A.Ş. (TEB Mali), the financial services holding company that is the majority shareholder in TEB N.V.'s parent company. The aim of this strategic partnership is to enhance the position of the TEB Financial Group in international financial markets.

Through continued close cooperation with our parent and by leveraging BNP Paribas' product expertise and cross-selling capabilities, we are confident that TEB N.V. will be able to capitalize on its existing position in Europe.

We remain committed to maintaining a strong balance sheet, prudent banking procedures and business principles. These factors combine to ensure that we can offer even better service to our current and potential clients.

Economic Review

The World

With a growth rate of more than 4%, the global economy continued to grow at an above-trend pace in 2005. A similar performance is expected in 2006. Given that world economic growth was stronger at 5.1% in 2004, the performance in 2005 looks moderate in comparison. However, in light of rising oil prices and other factors that are not growth friendly, this outcome can be considered good.

In the United States, Gross Domestic Product (GDP) growth rate is estimated to have been around 3.5% in 2005, down from 4.2% in the previous year. However, even after this slowdown, GDP growth in the United States is estimated to be the highest in the G7 countries. Looking ahead, with household savings at record low levels, there is a risk of a sharp slowing in private consumption growth if the housing market weakens. In the euro zone, GDP growth rate was about 1.2%, less than the 2% generated in 2004. While recent data point to a strengthening of economic activity in the second half of 2005 and early 2006, the euro zone's growth performance is likely to lag behind projections for the United States. In contrast, Japan's economy is regaining momentum. Japan's GDP growth is estimated at around 2% for 2005, with a similar forecast for 2006.

Global headline inflation has picked up somewhat in response to higher oil prices, but remains at moderate levels. Core inflation seems to be contained, inflationary expectations well-anchored, and wage increases moderate in the major industrial economies. Inflationary pressures are greater in emerging economies. This pressure is fuelled by the impact of oil prices and by the large external surpluses in some countries.

Financial market conditions are still mostly benign. In spite of a series of rate increases in the United States in the last two years and a couple of hikes by the ECB, long-term interest rates around the world continue to be unusually low. Despite the increase in policy rates, global equity markets have remained resilient. Corporate profits have also been on the strong side. Emerging market financing conditions were extremely favorable in 2005, with no sign of worsening in this area so far in 2006. This is partly a

reflection of the improving economic fundamentals of emerging market economies, but the continued search for yield across the world also plays a substantial role here.

Key concerns and risks in the world economy

Global current account imbalances continued to increase in 2005. Most strikingly, the US current account deficit rose over 6% of GDP. This was partly a result of higher oil prices but also of continued strong domestic demand. On the surplus side, the key countries were Japan, China, and the Middle East oil exporters.

Growth divergences across regions also remain wide. It seems that the US and China have been leading the global expansion process while the euro zone has been lagging. Looking ahead, short-term risks weigh more on the downside.

Unsustainable medium-term fiscal positions remain a key risk. With the exception of Canada, there are concerns about the fiscal positions and public debt ratios in many industrial countries, including Japan, Italy, Germany, and the United States. An encouraging point is the fact that most emerging market countries have considerably improved their fiscal balances in recent years though their public debt ratios are still cause for concern.

High and volatile oil prices remain a significant global risk. To date, the impact of higher oil prices on global growth has been surprisingly moderate, in part because it has been seen as a temporary phenomenon. In the event that higher oil prices more seriously affect consumer confidence, spending, and expectations, there is a risk of a more marked pressure on inflation.

Financial market conditions could tighten significantly. In addition to the possibility of further rate increases by the central banks in the US, the euro zone, and elsewhere, there is also a simultaneous risk of weakening housing markets. In such an event, growth prospects would deteriorate. Moreover, there could also be a significant impact on some emerging markets.

The Netherlands

Growth

Dutch Gross Domestic Product (GDP) was 1.3% higher than in the previous year. GDP was driven primarily by an increase in exports and investment spending.

Household and government consumption was also higher. After correction for working day and seasonal effects, the volume of GDP was 0.6% higher than in the second quarter of 2005. This quarter-on-quarter growth is above the average of the previous four quarters.

The volume of exports of goods and services in the third quarter was 5.0% higher than in the third quarter of 2004. Growth is almost entirely due to re-exports. However, the import growth rate (6.1%) was higher than that of exports.

After adjustment for price changes, households spent 1.2% more in the third quarter of 2005 than in the same quarter of the previous year. This is the greatest growth since the first quarter of 2002. Dutch consumers mainly spent more on goods, particularly consumer electronics, furniture and clothing.

Dutch industrial production was virtually equal to that of 2004, lagging behind previous periods of recovery. In contrast to a recovery in the chemical industry, there was negative growth in the electro-technical and transport sectors. The production of natural gas was substantially lower because less gas was sold abroad. Production in agriculture also lagged behind, especially in horticulture.

The volume of government consumption in the third quarter was 1.3% higher than in Q3, 2004. After 18 months of reduced expenditure, the Dutch government again spent more on general public services. Real expenditure on care and welfare also recovered.

Fixed capital formation was 6.6% higher than in the same quarter in 2004. This was caused to an important extent by higher investments in homes. However, the greatest increase was in investments in computers.

Similar to 2004, the Turkish economy is likely to grow again at a higher pace than IMF program targets for 2005.

Remarkably, the cumulative growth after four consecutive years reached over 30%.

Inflation

Inflation in the Netherlands averaged 1.7% in 2005. This is 0.5 of a percentage point higher than in 2004, when consumer prices averaged 1.2% higher than in the previous year. The increase was caused by prices of energy products. According to Statistics Netherlands consumer price index (CPI), in December 2005, inflation was 2.0%.

Inflation according to the European harmonized method (HICP) averaged 1.5% in 2005. In 2004 it was 1.4%.

A large part of inflation in 2005 was caused by price increases of energy products. Higher prices for gas, electricity and motor fuels contributed 1.0 percentage point to the 1.7% inflation.

Food and non-alcoholic drinks were on average 1.2% cheaper than in the previous year. Crop effects also played a part in the lower price decreases for food products in 2005.

In contrast, prices of clothes and shoes, and communication fell by more in 2005 than in 2004. The increase in rates of consumption taxes and government services was also smaller than in 2004.

Forecast

The general government deficit is likely to be around 1% of GDP in 2006-07. GDP growth is forecast to pick up to 2% in 2006 and 2.4% in 2007, as private consumption and investment recover. Inflation (EU harmonized measure) is forecasted to stay below 2% over the outlook period. The current account will record surpluses of about 2.5% of GDP in 2006-07.

The government, composed of the centrist Christian Democratic Appeal (CDA), the centre-right Liberals (VVD) and the left-liberal Democrats 66 (D66) and led by the Prime Minister, Jan Peter Balkenende, is expected to remain in office until the next election, due in May 2007.

Turkey

Growth

After a moderate slow-down in the first half of 2005, the pace of economic growth accelerated in the third quarter, with investment activity and domestic demand strengthening. Similarly to 2004, the Turkish economy is likely to grow again at a higher pace than IMF program targets for 2005. Remarkably, the cumulative growth after four consecutive years reached over 30%. The appreciating TRY (New Turkish Lira) and falling interest rates kept domestic demand strong and stimulated growth in 2005. Although both TRY and interest rates are expected to stabilize or flatten, current levels and the high confidence environment should stimulate consumption and investment, thereby maintaining growth in 2006. Accelerating construction activity is noteworthy as it has direct effects on growth and indirect impact on other segments of the economy. On the other hand, with the contribution of exports to economic growth weakening, the net impact of foreign trade is expected to remain negative again in 2006. In contrast to the post-crisis period, public investments appear to provide a sizeable contribution to economic growth, ahead of the general elections, as hinted by a higher allocation to investment expenditure in the 2006 budget. Overall, in view of the strength of private investments, along with robust domestic demand encouraged by stable or lower interest rates and cheap currency, and enhanced budget allocation to public investments, the Turkish economy appears on track to maintain growth at about 5% in 2006.

External balance

The widening current account deficit remains a point of concern. Although there has been no difficulty in its financing so far, and a significant improvement has been achieved in direct investments and long-term inflows, the level of C/A deficit, combined with the continuing significant share of short-term financing, fuel concerns about the sustainability of the external balance. In view of strong domestic demand and the TRY's strength, we foresee another high C/A deficit for 2006, envisaged at about US\$24 billion, equivalent to about 6% of Gross National Product (GNP). Against such a substantial F/X outflow, the Central Bank of Republic of Turkey's (CBRT) current account is expected to be financed without difficulty this year, thanks to the positive outlook on FDIs and privatization revenues. Developments in global liquidity conditions are key for the continuance of sustainability of the external balance. The high probability of a break in US interest rate hikes is maintaining global liquidity conditions favorable for emerging markets. Yet, an unexpected shift in liquidity conditions remains a main risk factor for the external balance. In terms of IMF loans, the Turkish government will again be a net "debt payer" at a significant amount in 2006. If avian flu spreads, there could be an adverse effect on the tourism sector, and thus on the current account balance; this is a factor that should be taken into account. Despite the persistent exchange rate appreciation, exports have maintained strength, thanks to rise in productivity, low real wages and new quotas on Chinese products. Over a 12-month period, the export-to-import coverage ratio stands at 63%. However, at the current level of foreign trade, the foreign trade deficit remains high. In sum, despite exports' strong contribution, and in light of higher imports, the foreign trade deficit is likely to continue expanding in 2006. At the same time, strong capital inflows are likely to hinder significant difficulties in the external

balance.

Fiscal policy

The government's determination has been quite firm on fiscal discipline, a main component of the economic stability and disinflation program during the post-crisis period. Bringing non-interest spending under control, which, besides curbing demand, in turn, reduces the need for public price adjustments to meet the public sector's fiscal gaps, has restrained domestic price hikes in an expanding economy. While the government seem to remain broadly within the annual appropriation of non-interest expenditures, the enhanced budget revenues, particularly above-target non-tax and capital revenues, are the main drivers behind the strong primary surplus.

Inflation

As has been the case with growth, in 2005 and for the fourth consecutive year, the Turkish economy has again achieved better performance than IMF program inflation targets. In fact, the annual CPI inflation fell to 7.7% at year-end 2005, below the 8% target, and versus 9.4% at year-end 2004 (73.2% at the start of 2002). Despite a notable slow-down in the pass-through effect of the exchange rate on inflation after the 2001 crisis, exchange rate movements still stand as the most significant determinant of the disinflation program. In 2006, we expect the TRY to remain almost stable in real terms and not to have any material effect on the disinflation program.

Business Activities

Marketing and trade finance

After a noteworthy increase of 66% in trade volume in 2004, TEB N.V. was able to further increase volume by another 8%; the trade volume reached Euro 1,191 million in 2005. This performance has been facilitated despite the high volatility in commodity prices and decreasing growth rate in world trade. Oil, which was almost the only solid commodity in 2005 with a constant increase in prices, did not have any considerable share in our trade volume.

TEB N.V.'s aims are to become one of the leading financial institutions specialized in trade finance in EU for the Turkish market and to grow its activities in the Mediterranean basin, selected countries in CIS and in the Black Sea basin. In 2005, we were able to retain our market share in trade finance and have successfully diversified geographically by closely following the trade flows of our existing clients. This diversification includes the euro zone, Eastern Europe, the Americas, the Far East, the Middle East and North Africa.

Trade (finance) volumes

Since the establishment of The Bank, consistent growth in trade volume has been achieved. Year-on-year growth, by major categories, is shown below:

(€ 000's)	2001	2002	2003	2004	2005
Draft Discounting	48,537	28,585	42,161	45,922	35,522
Letters of Guarantee	39,148	48,021	33,450	63,894	83,030
Import Letters of Credit	66,675	152,338	196,887	263,715	349,869
Collection	41,918	113,547	203,555	298,414	268,724
Export Letters of Credit	96,499	184,761	189,590	435,136	453,831
Total	292,778	527,253	665,643	1,107,082	1,190,976

In addition to trade-related financing, lending to prime European and Turkish corporate clients is another major activity. Due to the self-liquidating nature of trade transactions and rapid turnover, TEB N.V. has been able to finance Euro 1,191 million trade volume with risk assets, including trade related clean contingents of a total Euro 366 million as of 31 December 2005. The growing corporate and trade related exposure is monitored through a prudent approach to credit risk. All corporate customers are evaluated based on financials, sector risk and other soft factors; for trade-related clients, the structure of the underlying transaction, position risk, performance risk and the commodity itself are critical factors in the credit decision process (see also credit risk management on pages between 16 and 18).

TEB N.V.'s cash flow accounts are also an important contributor to fee income. Starting internet banking in the last quarter of 2005 will have a positive impact in this fee generation as it will support marketing this product.

In 2006, our team, supported by its extensive knowledge of the Turkish market and the commodity flow in the Black Sea and Mediterranean, aims to further develop TEB N.V.'s position in commodity and trade finance. We have already achieved a significant position, also through

cooperation with our parent company. By generating synergies with our new strategic partner, we will also be able to leverage BNP Paribas' proven know-how and expertise in trade and commodity finance.

Financial institutions

Since its establishment, The Bank has been able to develop new banking relationships and maintain a strong global banking network. Through our strongly established relationships, The Bank is in a position to offer its clients access to an extensive variety of financial institutions. With international transaction volume increasing, the Financial Institutions Department further broadened its global relationships with counterparties by closely following the trade flows of our existing clients. The main focus of the Financial Institutions Department in 2005 was to concentrate on further diversification in its portfolio and create new business opportunities with correspondent banks. Moreover, the team maintained well-established partnerships with correspondents and established new relationships with banks in order to accommodate client transactions efficiently.

Forfaiting

In addition to its trade finance activities, the Financial Institutions Department continued to strengthen its forfaiting activities in order to utilize bank limits

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effectively. Membership of the International Forfaiting Association (IFA) has facilitated growth of its secondary market network.

For the year 2006, the Financial Institutions Department will continue to provide highest-quality services to its correspondents and clients. Moreover, for 2006 the focus will be on further developing forfaiting activities, while working to increase visibility through expansion into new geographical areas (such as certain former CIS countries, and countries in Central Europe, Northern Africa and in the Middle East).

Private banking

In 2005, the main objective of TEB N.V.'s Private Banking Department was to increase customer satisfaction through enhanced quality in customer service and by focusing more on products that generate commission based income for The Bank. Increased customer satisfaction coupled with excellent service in bond and equity trading contributed to TEB N.V.'s deposit base, and Private Banking clients' assets in custody/under management increased considerably compared to last year. Through hiring additional staff in the last quarter of 2005, the frequency of customer visits will be increased to once every month in 2006, enabling the department to focus more on marketing activities and serve more customers.

In 2006, in order to accelerate the acquisition process of new clients and broaden its service spectrum, TEB N.V. is planning to launch new product lines in its marketing portfolio, which will attract new clients as well as support retention of existing customers.

Treasury

2005 was the year of the New Turkish Lira; new market participants helped to invert the local yield curve and introduced new products to Turkish markets, such as Interest Rate and Cross Currency Swaps and other long-term instruments. With The Bank's main market becoming more sophisticated, the Treasury Department aims to extend its existing range of products. Our goal is to introduce additional products in a step-by-step manner, initially on behalf of clients and later for The Bank's own books. Main proprietary trading activity again concentrated on major FX crosses, USDTRY and cash bond trading in Turkish sovereign debt. Daily liquidity and position management was carried out within The Bank's limits.

Risk Management and Compliance

Risk management

TEB N.V. takes a comprehensive and conservative approach to risk, its identification and management. In this process, the Supervisory Board and its Audit Committee play a significant role. Policies on risk management have (long) been established and fully communicated throughout The Bank. We aim to capitalize on our conservative approach and strict risk management procedures.

Credit risk

The core Credit Risk Policies of TEB N.V. specifically address; i) establishing an appropriate credit risk environment, ii) operating under a sound credit granting process, iii) maintaining an appropriate credit administration, measurement and monitoring and reporting process, and iv) ensuring adequate control over credit risk.

As a bank with a clear, though not exclusive, focus on trade finance and related lending, credit risk management is top priority. The differing product offering and risk management process essential to our Corporate Marketing, Financial Institutions and Private Banking businesses were considered when developing the Risk Assessment Process. Credit risk is any exposure to counterparts as a result of lending, hedging, settlement and other financial activities. TEB N.V.'s comprehensive and highly prudent credit (risk) policy means that in its eight-year history, non-performing loans have been almost negligible (Euro 24.000 since establishment).

The Turkish market

Turkey has always been an important market for TEB N.V.. Over the years, its importance in terms of business generation has been decreasing due to greater (geographic) diversification of our business. However, as TEB N.V. is a customer-oriented bank working in a niche market (import-export transactions through Turkey), initial risk concern has been its exposure to Turkey. TEB N.V. established a specific country limit (with absolute caps to certain types of exposure, such as maximum money market exposure to Turkish Banks and total Eurobond limit, working capital lines, post financing), and also adopted economic indicator follow up. Depending on the nature of changes and the importance allocated to indicators, any shift prompts immediate action or results in a discussion of developments that might necessitate a revision of the country limit policy. Caps are determined as to maximum exposure to financial institutions in Turkey for each rating group, with maximum tenor and product type. These ratings are reviewed twice a year. As certain groups in Turkey have holdings including banks and corporate institutions, TEB N.V. has also adopted a policy on group exposure to such groups as a percentage of TEB N.V.'s capital.

Financial institutions, corporations and trade-related clients

TEB N.V. has established policies for financial institutions in developed countries and non-OECD countries. These include maximum limits for each rating group.

In terms of corporate exposure and our efforts to mitigate related risks, our Country Limit policy for Turkey sets limits on product groups, such as working capital, corporate exposure and trade-related customer transactions.

TEB N.V. has further detailed policy that sets limits on higher-risk trade related transactions. Under this policy, TEB N.V. has limits according to tenor, country, forwarder and total Forwarders' Certificate of Receipt exposure.

Internal rating

Internal risk rating is an important tool in monitoring credit risk. Internal risk rating is adequate to support the identification and measurement of risk from all credit exposures, and is integrated into The Bank's overall analysis of credit risk. Policies and processes are supported by a cluster of internal rating systems. One applies to financial institutions in Turkey and comprises both qualitative and quantitative factors. Further, a qualitative and quantitative internal rating system is applied to both corporate and trade-related clients. The rating for corporate lending incorporates such factors as capital structure, cash flow, export volume, profitability, etc. For trade-related clients, a thorough system of measuring risk, including type of commodity, title of goods, position risk, marketability, etc. are incorporated into the rating. However, due to nature of such trade transactions, sometimes the transactions are reviewed and approval is given on a transaction basis.

Having considered the high importance of the New Capital Accord of Basel II, the Management decided to establish a Basel II Committee on 9 December 2005 and it has been embedded in the organization accordingly.



Credit approval processes

TEB N.V. is a customer-oriented bank working in a niche market focused mainly on (but not limited to) trade finance activities. When clients approach TEB N.V. for their specific financial needs, TEB N.V. handles each customer and respective transaction separately. Every customer has a different trade cycle and an individual need for financing. Therefore, TEB N.V. examines their financial needs in every credit package in detail, including shareholder structure, integrity of management, background check, trade cycle/balance sheet, financials and rating and finally the conditions under which TEB N.V. is willing to grant the needed funding. For each customer, potential risks are pointed out, especially in trade finance (position risk, market risk, etc.), recommendations developed on mitigation, and TEB N.V. acceptable risks determined.

Once this procedure has been accomplished, credit proposals for initial lines or renewals are prepared by the marketing officers. The Credit Administration Department (CAD) is responsible for checking and analyzing the full credit package before it is submitted to the Credit Committee. CAD checks and analyses all packages for:

1. assignment of rating;
2. (for corporations) whether the financials are audited or not; and
3. previous line conditions and revision date.

Credit Committee members are responsible for judging and evaluating the rating assigned to the client by marketing officers. Credit proposals are first reviewed by members of the Management Credit Committee, in line with the procedures, before being submitted to the

Board Credit Committee members. All proposals must be approved by the Managing Director and members of the Board Credit Committee. The Board Credit Committee's mandate is final approval of all credit proposals for initial line establishment; reviews of credit lines are carried out annually, unless the line is on transactional basis, or a short revision date is established.

Credit administration

An independent Credits function enables The Bank to separate responsibilities properly and avoid conflict of interest between initiating and granting the credit to a client. Adherence to credit policy decisions and procedures is monitored by the CAD. This Department is also responsible for checking and analyzing the full credit package before submission to the Credit Committee, as explained in the previous section.

For established lines, the Credit Administration Department ensures that The Bank's mandated officers have discretion for utilization, and the required conditions for utilization are met. Available lines are defined in detail, and checked and controlled by category by the Credit Administration Unit. The Credit Administration Unit monitors the proper utilization of established lines on a daily basis and follows up the revision dates and overdrafts.

Concentration risk

TEB N.V. monitors credit risk concentrations on significant exposure to an individual counterparty or group of related counterparties, internal rating, sector/industry, bank products and geographic region.

Market risk

The liquidity, foreign exchange rate, interest rate mismatch, interest rate risk sensitivity, own portfolio position – trading and investment -, daily balance sheet and profit and loss results are reported by the Financial Control Department and are analyzed and managed by the Asset and Liability Committee (ALCO). Experienced management combined with comprehensive MIS reporting and monitoring is key in assessing acceptable levels of related market risk.

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

The Stop-Loss limit for FX trading set up by the Supervisory Board is followed up daily by the Risk Management Department.

Tenor and amount limitations for the Treasury Bills & Government Bonds portfolio and Money Market Placements set up by the Supervisory Board are followed up daily by the Risk Management Department.

Sovereign Country Risk

The Risk Management Department monitors sovereign risks by means of macro-economic criteria determined by the Management.

TEB N.V. has a cap for Turkish Country Risk Exposure. In addition, the Supervisory Board approved implementing and applying BNP – Paribas' Sovereign Country Risk Rating Model at TEB N.V..

Basel II Committee at TEB N.V.

Having considered the high importance of the New Capital Accord of Basel II, the Management decided to establish a Basel II Committee on 9 December 2005 and it has been embedded in the organization accordingly.

The Committee members were appointed by the Management Board.

The Committee reports directly to the Management Board and Audit Committee; the Basel II Committee's reporting line to the Supervisory Board is through the Audit Committee.

The most important responsibilities of the Committee are to guide the Management and Supervisory Board on establishing the proper and effective capital adequacy calculation method, and to guide the development of higher-level risk management systems

Compliance

Operational risk

Operational risk can be defined as the risk of direct or indirect loss resulting from inadequate and/or failing internal processes, systems and personnel. The Compliance Department pays the utmost attention in mitigating operational risk through the application of effective internal control procedures with clear and comprehensive user instructions, as well as the efficient administering of Customer Due Diligence. In addition Internal Audit Department evaluates and improves the adequacy and effectiveness of operations in a systematic, disciplined approach. Insurance risk is also a part of operational risk whereby the Internal Audit Department monitors the coverage for various types of insurance and ensures that any claim arising from damages is properly administered.

TEB N.V.'s customer identification process is an essential element in an effective customer due diligence program.

Legal risk

Legal risk can have negative impact through lawsuits, criminal investigations and contingent fines. In order to eliminate any uncertainty and operate smoothly in a risk free manner, TEB N.V. uses standard agreements for marketed financial products and, where necessary, receives specialized legal advice from recognized experts within the field concerned. All these functions are executed within the framework of the "Legal Manual" established for that purpose. The responsibility of keeping abreast with the new developments in the legal area lies with the Compliance Department while the Risk Management Department makes sure that the changes applicable to current situations are properly applied for credit related transactions on a timely manner.

Integrity risk

Integrity risk arises from inadequate compliance with legal regulatory obligations and standards and codes of conduct 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 through the Internal Audit Department. The Compliance officer is responsible for both matters relating to supervision of the code of conduct and other issues involving prudential supervision. The Compliance Officer directly reports to the Deputy Managing Director. The Compliance Officer is also linked to the Management Board with a dotted line and, if necessary, he has the opportunity to report to the Supervisory Board.

The aim is to ensure compliance with current regulations in order to prevent operational, legal and/or integrity risks that may be encountered during the operational lifecycle. Since July 2005, TEB N.V. has appointed a new compliance officer who is solely dedicated to the compliance related issues.

The Bank's compliance officer is responsible for identifying and implementing applicable laws and regulations and advising staff members on compliance issues to maintain awareness continually. This means that the compliance officer is a central contact person and an advisor for the organization and also safeguards the integrity of the institution, the management and the other employees to minimize the reputation, operational, legal and concentration risk.

Some important compliance issues are:

1. *Customer Due Diligence (CDD) / Know Your Customer (KYC)*
CDD and KYC procedures are important for protecting The Bank's reputation and integrity by ensuring that we do not become involved in, or are used for money laundering. This protection is achieved by setting up adequate policies and procedures. The Bank's approach to CDD and KYC has been to embed both as crucial elements in the effective management of banking risk.

The compliance officer checks if CDD and KYC procedures are working properly, and trains and instructs staff members on all related issues.

2. *Client acceptance, identification and account opening*
When a client wants a relationship with our bank, consideration should be given to the character, moral and business reputation of the client and to any connections the client may have. TEB N.V. will apply heightened scrutiny to clients and beneficial owner's resident in and fund sourced from countries, identified by credible sources, with inadequate anti-money laundering standards or with a high-risk of crime and corruption. In this respect, customer identification is an essential element in an effective customer due diligence program.



The Internal Audit Department currently uses the “risk-based” approach to decide which audit activities are to be selected for inclusion in the annual Audit Plan.

This program has been implemented by The Bank to guard against reputation, operational, legal and concentration risk. It is also necessary in order to comply with anti-money laundering legal requirements and a prerequisite for the identification of bank accounts related to terrorism. In that respect, no account will be opened until we have received the required documentation.

3. Account monitoring

The compliance officer monitors the account activity to ensure an effective control and reduce the risk of illegal activities. Comprehension of normal and reasonable account activity is essential to identify transactions that fall outside the regular pattern of an account's activity. Without such control, it is not possible to detect suspicious transactions and TEB N.V. could be exposed to risks or involvement in illegal activities.

Moreover and from a potential money-laundering perspective, the compliance officer also monitors transactions coming from countries on the NCCT, European Sanction and OFAC-list. If irregularities are identified, suspicious activity transactions are reported to regulatory bodies.

4. Code of conduct

We have implemented a Code of Conduct which includes regulations to which staff members must adhere on price-sensitive information and private security transactions.

4.1 Rules regarding price-sensitive information

The Bank maintains a list of those staff members who (on occasion) have access to confidential and price sensitive information; this is the so-called insider list. Each staff member (insider) included in this list has signed the Code of Conduct, declaring that:

- Insider exercises utmost care in handling price-sensitive or confidential information;

- Insider reports price-sensitive or confidential information to the compliance officer; and
- Insider is bound to supply all necessary information to the Compliance Officer.

The compliance officer monitors how staff members deal with price-sensitive or confidential information.

4.2 Rules regarding private security transactions

The main reason why The Bank's Code of Conduct incorporates rules on Private Security Transactions is to prevent staff members from using inside information for their own purposes by entering into private security transactions.

Staff members considered insiders are obliged to report their private security transactions to the compliance officer. The compliance officer checks if there is a conflict of business and private interests and further checks whether there is any question of “front-running”.

When a staff member wants to execute a transaction that is on our restricted list, he/she requires prior approval from the compliance officer.

5. Chinese walls

Our bank has implemented “Chinese Walls” so that information within “the need to know group” does not become common knowledge among staff-members who belong to another department in The Bank. This is to avoid conflict of interest in the organization. The Bank's “Chinese Walls” are organized through physical, organizational, personnel and system separation. The compliance officer checks regularly if the implemented “Chinese Walls” are working properly. Furthermore, the compliance officer checks whether The Bank is acting in the best interest of its clients.

6. Screening policy

The Bank has a screening policy for new staff members. The compliance officer obtains written references from former employers during the previous five years so that an opinion can be formed on the fitness of the person concerned for a position with TEB N.V..

7. Data protection act

To provide financial services to our clients, we make use of their personal data. To ensure our clients' personal data is protected against use by other parties, we have taken measures according to the so called "Data Protection Act" ("Wet Bescherming Persoonsgegevens").

8. Administrative organization and internal control

We have a manual for our administrative organization and internal control. This manual describes our procedures and our control measures.

9. Training staff members

An important aspect of compliance is related "behavior" and "awareness" of our staff members. Therefore, the management, compliance officer and/or an external party, the "Dutch Compliance Institute", regularly train and instruct staff members on compliance issues.

Internal audit

Within the framework of our organizational structure we have a dedicated Internal Audit Department. The scope of internal auditing work, as stated in TEB N.V.'s Audit Department's "charter", encompasses a systematic, disciplined approach to evaluating and improving the adequacy and effectiveness of "risk management", "control" and "governance" processes, and the quality of performance in carrying out the assigned responsibilities.

The Head of the Internal Audit Department prepares and submits the annual Audit Plan to the Audit Committee of the Supervisory Board for approval. The plan establishes the priorities of the internal audit activity, consistent with TEB N.V.'s goals and objectives. Management and Supervisory Boards can also provide general and/or specific direction as to the scope of work and the activities to be audited.

The Internal Audit Department currently uses the "risk-based" approach to decide which audit activities are to be selected for inclusion in the annual Audit Plan. In the same manner, the internal auditor develops and records a risk-focused plan for each engagement, which analyzes the inherent risk items and includes the objectives, scope, timing and resource allocation.

The Internal Audit Department conducts its activities in compliance with the "International Standards for the Professional Practice of Internal Auditing" developed by The Institute of Internal Auditors, which is the governing body for the internal audit profession across the world.

Information Technology

System Development

TEB N.V. finalized two major IT projects in 2005; these are migration of The Bank's database and the upgrade of our main banking application and Internet Banking system. The first project, migration of the database, allowed us to interface with other open source tools, which resulted in enhancements in the reporting and communication side of The Banking application. Upgrade of our main banking application enabled us to comply with International Financial Reporting Standards in terms of calculating as well as disclosing financial information. The second major project, Internet Banking, was completed in the last quarter of 2005; it helps us meet long-standing customer needs and has enabled us to increase operational efficiency. TEB N.V. has already initiated the second phase of the Internet Banking project in order to fully satisfy customer needs. Recently, we have initiated another major project - "data warehousing". Completion of this project will provide us with the opportunity to enhance our Management Information System (MIS), to set up a new financial reporting system, to produce Dutch Central Bank Reports (Basel II, Country Risk Reports), and to improve the account monitoring system.

IT Security Infrastructure and Business Continuity

TEB N.V. has maintained its IT infrastructure and improved the current structure to integrate the Internet Banking system. In this framework, firewall management software and gateway based anti-virus protection systems have been upgraded, and controls on access points to the Internet Banking system further increased. TEB N.V. also accomplished another important task in 2005 with the introduction of the fully-fledged disaster recovery test, including not only the main banking application, but also its peripherals. Through the successful implementation of this plan, TEB N.V. believes it has completed all necessary tasks related to its mission critical systems.

Concluding Statement

In order to comply with stricter solvency requirements of De Nederlandsche Bank N.V. and to maintain competitiveness, we propose to the Supervisory Board and consequently to the Annual General Meeting of Shareholders to retain the net profit of Euro 4.7 million as other reserves.

We appreciate the confidence both our correspondents and our loyal client base place in The Economy Bank N.V. and we will do our best to deserve such trust in future. We would like to take this opportunity to express our gratitude to all stakeholders for their continuous support during our endeavours to achieve our mission. TEB N.V. believes firmly that the effective deployment of experienced professional personnel is the key to The Bank's success. The Management Board would like to thank all our employees for their valuable contribution.

TEB N.V. will continue to focus on covering a broader geographical area while building its trade finance relationships and increasing interbank activities. We will maintain our prudent approach and conservative policies. Together with the establishment of the Risk Management Department, new risk management tools will be introduced in order to closely monitor this asset growth and inherent risks. In doing so, the major point of attention would be capital adequacy which is streamlined to the new Basel II Accord with a view to maintaining liquidity at above standard levels at all times. We will expand our business volume and market share whilst diversifying the total assets portfolio, which will form the most crucial tool in finding the most optimum returns for our shareholders.

Through the strength of the partnership with BNP Paribas, the positive impacts on our performance are already noticeable, not only on the business generation side, but also on cost controls. Furthermore, we believe this partnership will help us improve The Bank's position and presence in Europe, while better serving both existing and potential clients.

Özden Başaran Odabaşı

Managing Director

Aşkın Dolacı

Deputy Managing Director

April 18, 2006

The Economy Bank N.V.

Financial Statements 2005



First IFRS consolidated financial statements of The Economy Bank N.V.

Consolidated Balance Sheet as at December 31, 2005

(all amounts in thousand Euros)

ASSETS	notes	31-Dec-05	31-Dec-04
Cash and balances with Central Banks		12,068	10,908
Financial Assets Held-for-trading	6.2	15,353	5,561
Short-term placements to Banks	6.3	318,919	332,173
Loans and advances to Banks		108,847	81,092
Loans and advances to Customers	7.1	225,460	175,486
Investment securities - Held-to-maturity	6.6	7,375	4,243
Property and Equipment	6.7	4,157	4,279
Intangible Assets	6.8	167	102
Other Assets and Prepayments		523	109
TOTAL ASSETS		692,869	613,953
LIABILITIES			
Funds Borrowed from Banks	6.11	17,188	8,627
Derivative Financial Instruments	6.9	1,831	607
Due to Customers	6.12	615,032	550,148
Current Tax Liability		252	661
Other Liabilities and Accruals		1,118	1,140
TOTAL LIABILITIES		635,421	561,183
EQUITY			
Paid-in Capital		30,000	30,000
Retained Earnings	6.15	27,448	22,770
TOTAL EQUITY		57,448	52,770
TOTAL EQUITY AND LIABILITIES		692,869	613,953
Commitments		538	488
Contingent Liabilities		190,117	79,233
TOTAL COMMITMENTS AND CONTINGENT LIABILITIES	8	190,655	79,721

The Economy Bank N.V.

For the Financial Year Ended December 31, 2005 Consolidated Income Statement

(all amounts in thousand Euros)

	notes	31-Dec-05	31-Dec-04
Interest Income		35,067	26,962
Interest Expense		(29,382)	(21,158)
Net Interest Income	5.1	5,685	5,804
Fees and Commissions Income		8,553	8,027
Fees and Commissions Expense		(2,370)	(2,018)
Net Fees and Commissions Income	5.2	6,183	6,009
Net Trading Income	5.3	1,184	945
Net Banking Income		13,052	12,758
Administrative Expenses			
Staff Costs	5.4	(3,962)	(3,267)
General and Other Administrative Expenses	5.5	(1,973)	(1,806)
		(5,935)	(5,073)
Depreciation and Amortization		(289)	(219)
Operating Expenses		(6,224)	(5,292)
Operating Profit before Taxation		6,828	7,466
Income Tax Expense		(2,150)	(2,640)
Net Profit for the Year		4,678	4,826

The Economy Bank N.V.

Consolidated Cash Flow Statements

(all amounts in thousand Euros)

	31-Dec-05	31-Dec-04
Cash flows from operating activities		
Net Profit	4,678	4,826
Depreciation	289	219
Change in financial instruments held for trading	(9,792)	5,325
Change in banks (not on demand & overnight)	7,388	(50,367)
Change in loans and advances to banks	(27,755)	(11,799)
Change in loans and advances to customers	(49,974)	75,489
Change in investment securities	(3,132)	(1,810)
Change in funds borrowed from banks	73,084	(64,015)
Other changes in other assets and liabilities	378	2,349
Total cash flows from operating activities	(4,836)	(39,783)
Cash flows from investment activities		
Investment in property and equipment	(232)	(942)
Total cash flows from investment activities	(232)	(942)
Total cash flows from financing activities	-	-
Net cash flow	(5,068)	(40,725)
Cash Balance as at the beginning of the year	17,307	58,032
Cash Balance as at the end of year	12,239	17,307
Change in cash balance	(5,068)	(40,725)
Cash and cash equivalents		
Cash and balances with Central Banks	68	108
Net cash position from banks on demand & overnight	12,171	17,199
Total cash and cash equivalents	12,239	17,307
Cash flow from operating activities include:		
Interest received	36,723	26,962
Interest paid	(28,741)	(21,158)
Tax paid	(2,582)	(2,640)

Management Board

Özden Başaran Odabaşı - Managing Director

Aşkın Dolaştır - Deputy Managing Director

The Economy Bank N.V.

Consolidated Statement of Changes in Shareholders' Equity

(all amounts in thousand Euros)

	TOTAL	PAID-IN CAPITAL	RETAINED EARNINGS	
Balance at 01.01.2004	47.944	30.000	17.944	
Current Year Profit, 2004	4.826	-	4.826	
Balance at 31.12.2004	52.770	30.000	22.770	
	TOTAL	PAID-IN CAPITAL	RETAINED EARNINGS	CURRENT YEAR PROFIT
Balance at 01.01.2005	52.770	30.000	17.944	4.826
Addition of Previous Year Profit to Retained Earnings	-	-	4.826	(4.826)
Current Year Profit, 2005	4.678	-	-	4.678
Balance at 31.12.2005	57.448	30.000	22.770	4.678

The Economy Bank N.V.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

The Economy Bank N.V. (TEB NV, bank) was incorporated on 17 November 1998 in Amsterdam, The Netherlands. The main activities of the bank are trade and commodity finance and private banking activities and the bank employs 55 people at 2005 year-end. The trade registry office of The Economy Bank N.V. is located in Amsterdam. The bank has a representative office in İstanbul, Turkey.

The bank is wholly owned by Türk Ekonomi Bankası A.Ş. (TEB A.Ş.). TEB A.Ş. is a listed company in the İstanbul and London (GDR) Stock Exchanges. The financial information of the bank will be consolidated in the financial statements of TEB A.Ş. incorporated in Turkey, which is a part of TEB Mali Yatırımlar A.Ş.. In 2005, BNP Paribas acquired 50% of the shares of the holding company of the TEB Group, TEB Mali Yatırımlar A.Ş. (TEB Financial Investments).

These consolidated financial statements have been approved to issue by the Board of Directors on 18 April 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

2.1 Basis of Presentation

The consolidated financial statements of the bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS as adopted by the European Union (EU). The consolidated financial statements have been prepared under the historical cost convention, except for trading securities and derivative financial instruments that have been measured at fair value. Numbers on the financial figures and tables are stated in thousands.

Adoption of standards

In 2005, TEB NV adopted the following accounting policies, which are relevant to its operations for the financial years beginning on or after 1 January 2005. The 2004 comparative financial information has been amended as required, in accordance with relevant requirements including the application of IAS 32 and IAS 39 in comparative numbers.

The impact of the transition from Dutch GAAP to IFRS on the balance sheet and net profit are presented on page 42.

The Economy Bank N.V.

Notes to the Consolidated Financial Statements

2.2 Functional and Presentation Currency

Items included in the financial statements of each of the bank's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Euros, which is the bank's functional and presentation currency.

2.3 Consolidation

The consolidated financial statements include the accounts of TEB NV and its investments in Kronenburg Vastgoed B.V. (KVBV) and Stichting Effecten Dienstverlening (formerly Stichting Custody Services TEB) (Stichting), which the bank exercises control over. KVBV is a 100% subsidiary of TEB NV and acts as the real estate company founded with the purpose of the ownership of property used by the bank. Stichting is the custody services company founded to provide custody services exclusively to the bank's customers.

Subsidiaries, which are those companies and other entities in which TEB NV, directly or indirectly, has power to control the financial and operating policies and owns more than 50% of voting rights of a company's share capital, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the bank and are no longer consolidated from the date that control ceases.

Intercompany balances and transactions, including the intercompany gains and losses on transactions, realized or unrealized, between the bank and its' subsidiaries are eliminated.

2.4 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 "Net Trading Income".

Foreign currency forward contracts are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Economy Bank N.V.

Notes to the Consolidated Financial Statements

2.5 Property and Equipment

The bank's property and equipment is stated at cost less straight-line depreciation over the estimated useful life. Historical cost includes expenditure that is directly attributable.

The new premises built for own use was completed and classified under the property and equipment line of balance sheet and stated at cost as of December 31, 2004.

Subsequent costs are included in the asset's amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the following rates:

Building	2.50%
Furniture and Fixtures	20.00%
Office Equipment	33.33%
Motor Vehicles	20.00%
IT Hardware	33.33%
Pre-operating Expenses	20.00%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.6 Intangible Assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives (three years).

TEB NV has reassessed the useful lives of its intangible assets in accordance with the provisions of IAS 38. No adjustments resulted from this reassessment.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the bank, and that will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives (not exceeding three years).

The Economy Bank N.V.

Notes to the Consolidated Financial Statements

2.7 Impairment of Property & Equipment and Intangible Assets

Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

2.8 Financial Assets

The bank classifies its financial assets in the following categories: financial assets at fair value through profit and loss; loans and receivables and Held-to-maturity investments. Management determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the bank. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

a. *Financial assets at fair value through profit or loss:*

Financial assets classified as Held-for-trading are included in this category. Trading securities are securities, which were either acquired for generating a profit from short-term fluctuations in price or are securities included in a portfolio in which a pattern of short-term profit taking exist. Gains or losses, on investments Held-for-trading are recognized in profit or loss. This category also includes derivative contracts.

b. *Loans and Advances to Customers:*

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the bank provides money, services directly to a debtor with no intention of trading the receivable. Such assets are carried at amortized cost using the effective interest method less any impairment in value. Gains and losses are recognized in income when the loans and advances to customers are derecognized or impaired, as well as through the amortization process. Interest earned on such loans and advances to customers is reported as interest income.

c. *Held-to-maturity:*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the bank's management has the positive intention and ability to hold to maturity. Were the bank to sell other than an insignificant amount of Held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

Held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process. Interest earned whilst holding Held-to-maturity investments is reported as interest income.

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Notes to the Consolidated Financial Statements

2.9 Derivative Financial Instruments

Derivative financial instruments consisting of foreign currency forward contracts are initially recognized at cost including any transaction costs, with subsequent measurement at fair value. Fair values are obtained from quoted market prices in active markets. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Derivative contracts are included in the "Financial Instruments Held-for-trading" and "Derivative Financial Instruments" lines of balance sheet and changes in the fair value are included in the income statement, under "Net trading income".

2.10 Offsetting Financial Instruments

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

2.11 Recognition and Derecognition of Financial Instruments

The Group recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument.

Financial assets:

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where the rights to receive cash flows from the asset have expired or while retaining the right to receive cash flows from the asset the bank has also assumed an obligation to pay them in full without material delay to a third party; or the bank has transferred its rights to receive cash flows from the asset either has not retained substantially all risks and rewards of the asset, or has not retained the control of the asset.

The bank does not have any assets where the bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, that are recognized to the extent of the bank's continuing involvement in the asset.

Financial liabilities:

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

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Notes to the Consolidated Financial Statements

2.12 Cash and Cash Equivalents

For the purposes of cash flow statement, cash and cash equivalents are defined as those amounts included in the balance sheet under the caption Cash and balances with Central Banks' (excluding minimum reserve which is kept at Dutch Central Bank) and 'Short-term placements to Banks' and "Funds borrowed from Banks" which are due on demand including overnight placements to and funds taken from banks. The cash flow statement is presented in line with the indirect method.

2.13 Impairment of Financial Assets

The bank assesses at each balance sheet date whether a financial asset or group of financial asset is impaired.

Assets carried at amortized cost:

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event incurred after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

2.14 Employee Benefits

Pension obligations:

The pension plan is based on a defined contribution as a percentage of the annual salary depending on the age of the insured, whereby the terms and conditions of the plan are based on each individual's requirements, under a fixed scheme, also allowing the individual staff member to contribute for his/her own account. The bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefits expense when they are due.

2.15 Leases

The leases entered into by the bank, as a lessee, are primarily operating leases. The total payments made under operating leases are charged to income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

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Notes to the Consolidated Financial Statements

2.16 Interest Income and Expense Recognition

All income and expense items, except the result on the trading portfolio and derivative financial instruments, are recognized on amortized cost basis based on the effective interest rate method. Unrealized gains and losses of the trading portfolio and derivative financial instruments are recognized in profit and loss statement through their mark-to-market valuation. All income and expense items are recognized in the financial reporting period which they relate.

2.17 Fees and Commissions Income Recognition

Fees and commissions for loans that are likely to be drawn down are deferred and recognized as an adjustment to the effective interest rate on the loan.

Fee for bank transfers and other banking transaction services are recorded as income when collected.

2.18 Taxation

Effective tax rate is determined with consideration of all timing differences between the profit before tax per commercial accounts and the fiscal profit described per the tax legislation and calculated over the current taxation rate of 31.5% in the Netherlands.

2.19 Share Capital

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the bank's shareholders.

2.20 Fiduciary Activities

The bank commonly acts in fiduciary capacities that result in the holding or placing of assets on behalf of individuals and other institutions whilst clients accept full risk with respect to exchange control, transfer limitations and/or possible insolvency of a debtor bank or debtor company as well as any consequences resulting from legal restrictions of from the possible restructure of debts in the country where the debtor bank or debtor company is registered and indemnify the bank with respect to all losses and liabilities related to the use of third parties, including but not limited to the parties with which the investments are done.

The Economy Bank N.V.

Notes to the Consolidated Financial Statements

2.21 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and return that are different from those of other business segments.

A geographical segment is engaged in providing products and services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environment.

2.22 Significant accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires the use of judgement and estimates that affect the recognition and valuation of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, the actual results may differ ultimately from these estimates. The key areas requiring an application of judgement and estimation include the assessment of risk and rewards and other relevant criteria when determining whether or not to derecognise a financial asset or when to consolidate a special purpose entity, the depreciation periods of tangible fixed assets, the determination of the fair value of certain assets and liabilities, the amount and timing of future cash flows on possible impaired loans and other provisions.

3. BUSINESS SEGMENTS

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. All activities take place in the Netherlands.

Corporate Banking segment is where trade finance activities, loan demands together with other banking services are provided to these clients and related correspondent banking relationships are grouped together.

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Notes to the Consolidated Financial Statements

Other includes Private Banking and Treasury activities;

Private Banking activities include private investor's services such as depositing funds, investing and trading in government bonds, treasury bills and shares.

Treasury activities include managing the liquidity and currency position of the bank through short-term funding, placements and/or derivative transactions to maintain bank's liquidity and currency position and risk within acceptable levels together with following current regulations where the bank operates.

Business segment breakdown per profit and loss account;

Interest expense is allocated in accordance with the contractual rights to third parties with relation to the related business activities defined under corporate banking and other segments.

	As at December 31, 2004			As at December 31, 2005		
	CORPORATE BANKING	OTHER	TOTAL	CORPORATE BANKING	OTHER	TOTAL
Interest Income	20,538	6,424	26,962	21,153	13,914	35,067
Interest Expense	(13,278)	(7,880)	(21,158)	(16,150)	(13,232)	(29,382)
Net Interest Income	7,260	(1,456)	5,804	5,003	682	5,685
Commission Income	5,119	2,908	8,027	5,123	3,430	8,553
Commission Expense	(111)	(1,907)	(2,018)	(147)	(2,223)	(2,370)
Net Commission Inc.	5,008	1,001	6,009	4,976	1,207	6,183
Net trading income	(15)	960	945	35	1,149	1,184
Net Banking Income	12,253	505	12,758	10,014	3,038	13,052
Staff Costs	(2,791)	(476)	(3,267)	(2,871)	(1,091)	(3,962)
General and Other Admin. Expenses	(1,734)	(72)	(1,806)	(1,578)	(395)	(1,973)
Depreciation and Amortization	(210)	(9)	(219)	(231)	(58)	(289)
Operating Profit before Taxation	7,518	(52)	7,466	5,334	1,494	6,828

Some of the staff costs and administrative expenses are allocated on a pro-rata basis since a consistent policy could not be applied for the years 2004 and 2005. The principles of the allocation model will be worked out and these expenses will be allocated in accordance with newly developed policies in the following years.

The Economy Bank N.V.

Notes to the Consolidated Financial Statements

Business segment breakdown per interest bearing assets and liabilities;

	As at December 31, 2004			As at December 31, 2005		
	CORPORATE BANKING	OTHER	TOTAL	CORPORATE BANKING	OTHER	TOTAL
Total segment assets	252,402	361,551	613,953	327,972	364,897	692,869
Total segment liabilities	436,744	177,209	613,953	458,706	234,163	692,869

Average number of employees in 2005 was 52 (2004: 40). Details of the headcount as of year ends:

	2004	2005
Corporate Banking	11	15
Other:		
Top Management	2	2
Private Banking	4	5
Treasury	3	3
Operations	10	10
Financial Control and Accounting	5	5
Internal Audit and Compliance	3	3
Risk Management	1	3
Central Registry	2	2
IT	3	3
Administrative Services	4	4
TOTAL	48	55

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Notes to the Consolidated Financial Statements

First time adopted financials in the form of balance sheet and net profit reconciliation from Dutch GAAP to IFRS are as follows:

4. PREPARATION OF THE OPENING IFRS BALANCE SHEET AT JANUARY 1, 2004

	1-Jan-04 DUTCH GAAP	IFRS ADJUSTMENTS	1-Jan-04 IFRS
ASSETS			
Cash and balances with Central Banks	12,449	-	12,449
Financial Assets Held-for-trading	10,559	327	10,886
Short-term placements to Banks	326,202	78	326,280
Loans and advances to Banks	69,611	(318)	69,293
Loans and advances to Customers	247,797	3,178	250,975
Investment securities - Held-to-maturity	2,410	23	2,433
Property and Equipment	3,614	-	3,614
Intangible Assets	44	-	44
Other Assets and Prepayments	4,779	(3,641)	1,138
TOTAL ASSETS	677,465	(353)	677,112
LIABILITIES			
Funds Borrowed from Banks	19,763	48	19,811
Due to Customers	605,381	2,888	608,269
Taxation Liability	480	-	480
Other Liabilities and Accruals	3,897	(3,289)	608
TOTAL LIABILITIES	629,521	(353)	629,168
Fund for General Banking Risks (FAR)	1,386	(1,386)	-
EQUITY			
Paid-in Capital	30,000	-	30,000
Retained Earnings	16,558	-	16,558
Transition Impact	-	1,386	1,386
TOTAL EQUITY	46,558	1,386	47,944
TOTAL EQUITY AND LIABILITIES	677,465	(353)	677,112
TOTAL CONTINGENT LIABILITIES	61,935	-	61,935

The Economy Bank N.V.

Notes to the Consolidated Financial Statements

Reconciliation December 31, 2004	Profit for the year	Equity
Reported under Dutch GAAP	5,083	51,642
Accruals for commission income (IAS 39)	(242)	(243)
Reversal of FAR movement (net of tax)	(15)	1,371
Reported under IFRS	4,826	52,770

Accruals for commission income are adjusted to reflect the amortized cost accounting under IFRS. Under Dutch GAAP commissions were recognized based on cash basis.

Due to abolition of FAR, the 2004 movements in the fund are released back to profit and loss reflecting the impact through retained earnings. The reversal includes EUR (23) and its tax effect of EUR 8.

5. INCOME STATEMENT

5.1 Net Interest Income

	2005	2004
Interest Income		
Cash and short-term funds	12,567	5,550
Investment securities	428	184
Loans and advances to banks	4,055	2,574
Loans and advances to customers	18,017	18,654
	35,067	26,962
Interest Expense		
Funds borrowed from banks	(1,852)	(1,217)
Due to customers	(27,530)	(19,941)
	(29,382)	(21,158)
	5,685	5,804

The Economy Bank N.V.

Notes to the Consolidated Financial Statements

5.2 Net Fees and Commissions Income

	2005	2004
Fees and commissions income		
Cash loan fees and commissions	1,573	1,529
Non-cash loan fees and commissions	2,757	2,785
Private Banking fees and commissions	3,205	2,800
Fund transfer commissions	740	551
Other banking services	279	362
	8,554	8,027
Fees and commissions expense		
Brokerage fees paid	(2,223)	(1,907)
Other fees paid	(148)	(111)
	(2,371)	(2,018)
	6,183	6,009

5.3 Net Trading Income

	2005	2004
Securities Trading Income/(Loss)	706	724
Foreign Exchange Gain/(Loss)	443	236
Forfeiting Income/(Loss)	35	(15)
	1,184	945

5.4 Staff Costs

	2005	2004
Salaries and Bonuses	(3,523)	(2,848)
Pension Expenses	(80)	(16)
Social Security Contributions	(157)	(124)
Others	(202)	(279)
	(3,962)	(3,267)

5.5 General and Other Administrative Expenses

	2005	2004
Maintenance and various administrative expenses	(1,540)	(1,348)
Rent expense	(46)	(80)
Communication expense	(387)	(378)
	(1,973)	(1,806)

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Notes to the Consolidated Financial Statements

5. 6 Income Tax Expense

The effective tax rate of the bank is 31.5% (2004: 35.4%), which does not differ from the nominal tax rate.

6. BALANCE SHEET

6.1 Cash and Balances with Central Banks

This includes cash in hand and placements with De Nederlandsche Bank NV.

6.2 Financial Assets Held-for-trading

Trading securities portfolio of the bank is composed of public debt securities amounting Euro 12,994 (including Euro 67 floating rate Treasury Bills) and Euro 4,297 as of December 31, 2005 and 2004 respectively and derivatives.

	2005	2004
Trading Securities - Held-for-trading	12,994	4,297
Derivative Financial Instruments - Assets	2,359	1,264
Total	15,353	5,561

6.3 Short-term Placements to Banks

The item includes nostro accounts and all short-term placements to banks. The balance includes short-term placements amounting Euro 315,234 and Euro 328,282 as of December 31, 2005 and 2004 respectively.

	2005	2004
Nostro accounts	3,685	3,891
Overnight placements	9,710	14,170
Placements maturing within one month	305,524	314,112
	318,919	332,173

6.4 Loans and Advances to Banks

The balance includes loans and advances to Banks amounting Euro 108,847 and Euro 81,092 as of December 31, 2005 and 2004 respectively.

6.5 Loans and Advances to Customers

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

The total amount of uncollectible loans and advances to customers amounts to 'nil' as of both December 31, 2005 and 2004.

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Notes to the Consolidated Financial Statements

6.6 Investment Securities - Held-to-maturity

Investment securities portfolio of the bank is composed of public debt securities amounting Euro 7,375 and Euro 4,243 as of December 31, 2005 and 2004 respectively.

Changes in the investment portfolio are as follows:

	2005	2004
Balance Sheet as at January 1	4,243	2,410
Purchases	7,375	2,020
Foreign exchange differences	-	(187)
Redemptions	(4,243)	-
Balance Sheet as at December 31	7,375	4,243

6.7 Property and Equipment

The breakdown of property and equipment as at December 31, 2005 and 2004 is as follows:

	2005			2004		
	Property	Equipment	Total	Property	Equipment	Total
Balance Sheet Value as at January 1	3,980	299	4,279	3,469	145	3,614
Additions	-	110	110	583	262	845
Disposals	-	(2)	(2)	-	(6)	(6)
Depreciation	(102)	(128)	(230)	(72)	(102)	(174)
Balance Sheet Value as at December 31	3,878	279	4,157	3,980	299	4,279
Cost of Property and Equipment	4,052	900	4,952	4,052	827	4,879
Accumulated Depreciation	(174)	(621)	(795)	(72)	(528)	(600)

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Notes to the Consolidated Financial Statements

6.8 Intangible Assets

Intangible assets consist of acquired software. The breakdown of Intangible assets as at December 31, 2005 and 2004 is as follows:

	2005 Total	2004 Total
Balance Sheet Value as at January 1	102	44
Additions	124	102
Disposals	-	-
Depreciation	(59)	(44)
Balance Sheet Value as at December 31	167	102
Cost of Intangibles	801	676
Accumulated Depreciation	(634)	(574)

6.9 Derivative Financial Instruments

In the ordinary course of business, the bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards and swaps. In accordance with Basel capital requirements total credit equivalent amounts for 2005 and 2004 are Euro 214,417 and Euro 46,927 respectively.

As at 31 December 2004,

	Contract/ notional amount	Up to 1 month	1 to 3 Months	3 to 6 Months	Fair Values	
					Assets	Liabilities
Forward contracts	16,621	1,249	14,028	1,344	1,261	602
Currency swaps	2,736	2,736	-	-	3	5
	19,357	3,985	14,028	1,344	1,264	607

At 31 December 2005,

	Contract/ notional amount	Up to 1 month	1 to 3 Months	3 to 6 Months	Fair Values	
					Assets	Liabilities
Forwards contracts	37,931	18,170	19,761	-	2,359	1,831
	37,931	18,170	19,761	-	2,359	1,831

The Economy Bank N.V.

Notes to the Consolidated Financial Statements

6.10 Other Assets and Prepayments

This item comprises advances to suppliers, employees and prepaid expenses.

6.11 Funds Borrowed from Banks

This includes all the debts to banks of Euro 17,188 as of December 31, 2005 (2004: Euro 8,627). There are no loans from banks with subordinated nature in 2005 and in 2004.

Average funding cost for TRY is 12.13% and for other currencies is 4.14%.

	2005	2004
Loro accounts	1,224	862
Funds borrowed maturing within one month	15,856	7,765
Funds borrowed maturing within one year	108	-
	17,188	8,627

6.12 Due to Customers

This includes funds entrusted to the bank by customers such as current accounts amounting to Euro 69,371 and time deposits of Euro 545,661 (2004: Euro 52,933 and Euro 497,215 respectively). The funds entrusted by private persons and corporate clients amounts to Euro 167,344 and Euro 447,688 as of December 31, 2005 respectively (2004: Euro 113,405 and Euro 436,743).

Average funding cost for TRY is 13.14% and for other currencies is 4.00%.

In connection with the risk assets and contingent transactions, amongst Due to customers, Euro 70,701 and Euro 70,307 have been allocated as pledge to the bank against the assets and contingent items as of December 31, 2005 respectively (2004: Euro 60,442 and nil).

6.13 Taxation Liability

This item includes corporate income taxes payable of the bank, net of prepaid taxes is Euro 225 (2004: 661).

6.14 Other Liabilities and Accruals

This item includes expenses recognized, but whose actual payment occurs in a different period as well as payables to various suppliers and payables to tax authorities.

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Notes to the Consolidated Financial Statements

6.15 Equity

6.15. a- Paid-in 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:

	2005	2004
Balance as at January 1	30,000	30,000
Issues of new shares added from other reserves	-	-
Balance as at December 31	30,000	30,000

6.15. b- Retained Earnings

The changes in retained earnings are as follows:

	2005	2004
Balance as at January 1	17,944	14,384
Profit distribution of prior years	4,826	3,560
Net profit for the year	4,678	4,826
Balance as at December 31	27,448	22,770

7. RISK MANAGEMENT

This section provides details of the bank's exposure to risks and describes the methods used by management to control the risks. The most important types of financial risk to which the bank is exposed are credit risk, liquidity risk, and market risk. Market risk includes currency risk, interest rate risk and price risk.

Derivative Financial Instruments

The bank enters into a variety of derivative financial instruments for risk management purposes. This note describes the derivatives used by the bank. Derivative financial instruments used by the bank include forwards, swaps whose value changes in response to changes in interest rates, foreign exchange rates, security process, commodity process or price indices. Derivatives are either standardized contracts transacted through regulated exchanges (exchange-traded products) or individually negotiated over-the-counter contracts (OTC products). A description of the main types of derivative instruments used by the bank is set out below.

Swaps

Swaps are over-the-counter agreements between the bank and other parties to exchange future cash flows based upon agreed notional amounts. Under interest rate swaps, the bank agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. Cross-currency interest rate swaps require an exchange of interest payment flows and capital amounts in different currencies. The bank is subject to credit risk arising from the respective counterparties' failure to perform. Market risk arises from the possibility of unfavorable movements in interest rates relative to the contractual rates of the contract.

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Forwards

Forward contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specified price and may be settled in cash or another financial asset. Forward contracts result in credit exposure to the counterparty and also result in exposure to market risk based on changes in market prices relative to contracted amounts.

Trading activities

The bank maintains active trading positions in a variety of derivative and non-derivative financial instruments. Most of the bank's trading activities are customer driven. In anticipation of customer demand, the bank carries an inventory of capital market instruments and maintains access to market liquidity by quoting bid and offer prices to and trading with other market makers. Positions are also taken in the interest rate, foreign exchange, debt, equity and commodity markets based on expectations of future market conditions. These activities constitute the proprietary trading business and enable the bank to provide customers with capital market products at competitive prices. As trading strategies depend on both market-making and proprietary positions, given the relationships between instruments and markets, those are managed in concert to maximize net trading income.

The bank manages its trading activities by type of risk involved and on the basis of the categories of trading instruments held.

7.1 Credit Risk

Credit Risk is broadly defined as the risk that obligations will not be repaid on time and in full as expected or contracted, resulting in a financial loss. Credit risk encompasses all phases of the process from target market definition to collection as well as management of the overall portfolio.

Concentration risk:

TEB NV monitors the credit risk concentrations to which TEB NV may be exposed. Such concentrations include:

- Significant exposure to an individual counterparty or group of related counterparties
- Credit exposures to counterparties in the same economic sector or geographic region

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Industry distribution of risk assets is as follows:

	2005				2004			
	cash	non-cash	total	% *	cash	non-cash	total	% *
Agriculture	16,420	-	16,420	2.4	8,683	49	8,732	1.4
Automotive	-	-	-	-	7,303	-	7,303	1.2
Building and construction companies	6,856	2,857	9,713	1.4	3,897	1,065	4,962	0.8
Chemicals	24,302	9,505	33,807	4.9	14,908	1,894	16,802	2.7
Energy, Gas and Oil	12,114	16,481	28,595	4.1	9,812	3,885	13,697	2.2
Financial Institutions	48,637	-	48,637	7.0	23,060	-	23,060	3.8
Metals and Mining	32,704	17,967	50,671	7.3	32,378	13,373	45,751	7.5
Other	15,988	2,412	18,400	2.7	16,732	980	17,712	2.9
Private persons	7,038	538	7,576	1.1	4,159	5,111	9,270	1.5
Pulp & Paper	3,815	1,258	5,073	0.7	5,445	1,130	6,575	1.1
Shipping	5,808	-	5,808	0.8	1,914	277	2,191	0.4
Textiles	10,316	2,229	12,545	1.8	19,938	3,179	23,117	3.8
Transport companies	24,276	-	24,276	3.5	20,375	-	20,375	3.3
Travel agencies	4,221	-	4,221	0.6	3,816	-	3,816	0.6
Wholesale trade companies	12,965	47,369	60,334	8.7	3,066	4,121	7,187	1.2
Loans and advances								
to customers	225,460	100,616	326,076	47.0	175,486	35,064	210,550	34.4
Central Banks	12,061	-	12,061	1.7	10,904	-	10,904	1.8
Credit Institutions	427,766	90,039	517,805	74.7	413,265	44,657	457,922	74.6
Sovereign Risk	20,369	-	20,369	2.9	8,540	-	8,540	1.4
Total	685,656	190,655	876,311		608,195	79,721	687,916	
Cash Collateral Loans (-)	(69,588)	(49,827)	(119,415)		(55,416)	-	(55,416)	
Total Credit Risk	616,068	140,828	756,896		552,779	79,721	632,500	

* Percentage of total assets

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Geographical concentrations of assets, liabilities, commitments and contingent liabilities:

Sovereign or Country Risk is a broad category encompassing political, convertibility, and transfer risk. Any of these items may result in the inability of a business to receive or send funds to or from counterparties located outside its country or impair the ability of the business to operate, thereby causing financial losses. Country risk exposures are within the limits set by the Supervisory Board.

	As at December 31, 2005		As at December 31, 2004	
	Assets	Contingent Liab.	Assets	Contingent Liab.
Turkey	221,661	50,550	185,383	28,491
The Netherlands	16,157	1,258	77,938	1,005
European Union	235,571	19,036	201,716	12,682
Other European countries	2,992	1,445	279	760
Other OECD countries	135,395	37,640	98,542	17,845
Other	73,880	80,726	44,337	18,938
TOTAL	685,656	190,655	608,195	79,721

7.2 Liquidity Risk

Liquidity Risk is the current or prospective threat to TEB NV's earnings and capital base as a result of the possibility that it will not be able to meet its short-term payment obligations at any point in time without this involving unacceptable costs or losses.

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The maturity distribution of risk assets and liabilities is as follows:

As at December 31, 2004

	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Assets					
Cash and balances with Central Banks	10,908	-	-	-	10,908
Trading securities - Held-for-trading	66	27	4	4,200	4,297
Short-term placements to banks	332,173	-	-	-	332,173
Loans and advances to banks	26,472	28,922	25,698	-	81,092
Loans and advances to customers	59,230	36,372	59,523	20,361	175,486
Investment securities - Held-to-maturity	-	-	4,243	-	4,243
Total	428,849	65,321	89,468	24,561	608,199
	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Liabilities					
Funds borrowed from banks	8,627	-	-	-	8,627
Due to customers	321,612	166,371	39,381	22,784	550,148
Total	330,239	166,371	39,381	22,784	558,775

As at December 31, 2005

	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Assets					
Cash and balances with Central Banks	12,068	-	-	-	12,068
Trading securities - Held-for-trading	12,994	-	-	-	12,994
Short-term placements to banks	318,919	-	-	-	318,919
Loans and advances to banks	15,478	42,155	44,811	6,403	108,847
Loans and advances to customers	79,173	51,812	65,658	28,817	225,460
Investment securities - Held-to-maturity	-	-	451	6,924	7,375
Total	438,632	93,967	110,920	42,144	685,663
	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Liabilities					
Funds borrowed from banks	17,080	-	108	-	17,188
Due to customers	230,346	239,128	68,243	77,315	615,032
Total	247,426	239,128	68,351	77,315	632,220

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7.3 Market Risk

The risks to which TEB NV exposes in the form of change in market conditions, which affects the liquidity of corporation or the markets in which it operates or the value of its trading and accrual portfolios and its investments, resulting in a loss for the corporation. Market risk includes a) currency risk b) interest rate risk, c) price risk and d) foreign exchange risk.

7.3 a- Currency Risk:

The bank is exposed to currency risk since substantial volumes of business are conducted in foreign currencies. Assets denominated in foreign currencies are funded by foreign currency customer deposits and by deposits or loans taken from banks. The bank's transactional exposures give rise to foreign currency gains and losses that are recognized in the income statement. The currency exposures comprise the monetary liabilities of the bank that are not denominated in the functional currency of the bank, i.e., any currency other than EUR.

As at December 31, 2004

FINANCIAL ASSETS	EUR	USD	TRY	OTHER	TOTAL
Cash and balances with Central Banks	10,908	-	-	-	10,908
Financial Instruments Held-for-trading	1,274	3,382	905	-	5,561
Short-term placements to Banks	9,528	308,600	9,181	4,864	332,173
Loans and advances to Banks	17,652	63,440	-	-	81,092
Loans and advances to Customers	13,199	132,361	29,415	511	175,486
Investment securities - Held-to-maturity	-	4,243	-	-	4,243
TOTAL FINANCIAL ASSETS	52,561	512,026	39,501	5,375	609,463
FINANCIAL LIABILITIES					
Funds Borrowed from Banks	405	857	7,365	-	8,627
Derivative Financial Instruments	607	-	-	-	607
Due to Customers	21,657	491,428	31,917	5,146	550,148
TOTAL FINANCIAL LIABILITIES	22,669	492,285	39,282	5,146	559,382
NET NOTIONAL AMOUNT OF CURRENCY DERIVATIVES	20,774	(19,890)	-	(238)	646
NET CURRENCY POSITION BETWEEN FINANCIAL ASSETS AND LIABILITIES	50,666	(149)	219	(9)	50,727
TOTAL COMMITMENTS & CONTINGENT LIABILITIES	10,023	69,698	-	-	79,721

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As at December 31, 2005

FINANCIAL ASSETS	EUR	USD	TRY	OTHER	TOTAL
Cash and balances with Central Banks	12,068	-	-	-	12,068
Financial Instruments Held-for-trading	5,230	4,703	5,413	7	15,353
Short-term placements to Banks	4,475	300,948	9,765	3,731	318,919
Loans and advances to Banks	5,927	102,920	-	-	108,847
Loans and advances to Customers	36,251	146,756	40,384	2,069	225,460
Investment securities - Held-to-maturity	-	6,056	1,319	-	7,375
TOTAL FINANCIAL ASSETS	63,951	561,383	56,881	5,807	688,022
FINANCIAL LIABILITIES					
Funds Borrowed from Banks	1,040	10,718	5,430	-	17,188
Derivative Financial Instruments	-	1,824	-	7	1,831
Due to Customers	28,681	529,645	50,995	5,711	615,032
TOTAL FINANCIAL LIABILITIES	29,721	542,187	56,425	5,718	634,051
NET NOTIONAL AMOUNT OF CURRENCY DERIVATIVES	19,782	(19,312)	-	-	470
NET CURRENCY POSITION BETWEEN FINANCIAL ASSETS AND LIABILITIES	54,012	(116)	456	89	54,441
TOTAL COMMITMENTS & CONTINGENT LIABILITIES	53,294	137,361	-	-	190,655

7.3 b- Interest Rate Risk:

The current or prospective threat to TEB NV's earnings and capital as a result of movements in interest rates; these movements may occur as a parallel movement and/or a change in the yield curve and an unequal movement in the rates earned and paid in the same maturity segment of the yield curve.

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The maturity distribution based on interest re-pricing schedules of risk assets and liabilities is as follows:

	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	2005 Total	2004 Total
Assets						
Trading securities - Held-for-trading	12,994	-	-	-	12,994	4,297
Short-term placements to banks	318,919	-	-	-	318,919	332,173
Loans and advances to banks	15,478	42,155	44,811	6,403	108,847	81,092
Loans and advances to customers	85,681	76,350	63,429	-	225,460	175,486
Investment securities - Held-to-maturity	-	1,038	451	5,886	7,375	4,243
Total	433,073	119,543	108,691	12,289	673,596	597,291
	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	2005 Total	2004 Total
Liabilities						
Funds borrowed from banks	17,080	108	-	-	17,188	8,627
Due to customers	496,894	54,294	63,581	263	615,032	550,148
Total	513,974	54,402	63,581	263	632,220	558,775

7.3 c- Price Risk:

The current or prospective threat to TEB NV's earnings and capital as a result of movements in the level or the volatility of market prices of securities, commodities and derivatives.

The bank manages its use of trading instruments in response to changing market conditions. Asset-liability risk management activities are conducted in the context of the bank's sensitivity to interest rate changes. Risk Management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the bank's business strategies.

7.4 Hedging

Due to Bank's overall interest rate risk position and funding structure, its risk management policies require that it should manage its exposure to changes in foreign currency rates, interest rate, credit risk and market price risk exposure within certain guidelines. The bank uses derivative financial instruments to manage the potential earnings impact of foreign currency movements. Currency swaps and forward contracts are used for this purpose. The purpose of the bank's hedging activities are to protect itself from the risk that net cash inflows will be adversely affected by changes in interest or exchange rates, credit ratings or market prices. The bank enters into transactions to ensure that it is economically hedged in accordance with risk management policies. The bank does not apply hedge accounting under IAS 39.

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7.5 Fair Values of Financial Assets and Liabilities

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.

For investments that are traded in an active market, fair value is determined by reference to stock exchange or current market bid prices, at the close of business on the balance sheet date. For investments where there is no market price or market price is not indicative of the fair value of the instrument, fair value is determined by reference to the current market value of another instrument which is substantially the same, recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used.

The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

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

As at December 31, 2004

	Book value	Fair value	INTEREST RATES			
			TRY		OTHER	
Financial Assets			min	max	min	max
Cash and balances with Central Banks	10,908	10,908	-	-	2.20	2.20
Financial Instruments Held-for-trading	5,561	5,561	19.57	22.62	4.31	5.94
Short-term placements to banks	332,173	332,150	20.50	20.50	0.62	4.80
Loans and advances to banks	81,092	81,035	-	-	2.73	15.86
Loans and advances to customers	175,486	175,016	21.25	29.52	2.83	14.67
Investment securities - Held-to-maturity	4,243	4,260	-	-	4.12	5.11
	609,463	608,930				
Financial Liabilities						
Funds borrowed from banks	8,627	8,627	19.00	20.35	2.12	2.12
Derivative Financial Instruments	607	607	-	-	-	-
Due to customers	550,148	549,758	18.78	21.82	0.51	5.40
	559,382	558,992				

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As at December 31, 2005

	Book value	Fair value	INTEREST RATES			
			TRY		OTHER	
Financial Assets			min	max	min	max
Cash and balances with Central Banks	12,068	12,068	-	-	2.06	2.06
Financial Instruments Held-for-trading	15,353	15,353	12.97	12.97	3.84	5.68
Short-term placements to banks	318,919	318,888	15.50	15.50	2.30	4.75
Loans and advances to banks	108,847	109,413	-	-	3.07	13.93
Loans and advances to customers	225,460	229,023	14.79	17.08	3.21	13.53
Investment securities - Held-to-maturity	7,375	7,325	18.23	18.23	5.62	5.62
	688,022	692,070				
Financial Liabilities						
Funds borrowed from banks	17,188	17,178	13.90	15.40	5.51	5.76
Derivative Financial Instruments	1,831	1,831	-	-	-	-
Due to customers	615,032	614,340	13.43	15.98	0.68	9.72
	634,051	633,349				

8. COMMITMENTS AND CONTINGENT LIABILITIES

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

	2005	2004
Credit card limits	538	488
Letters of Guarantee	7,095	12,382
Export Letters of Credit	90,007	43,630
Import Letters of Credit	93,015	23,221
	190,655	79,721

9. CUSTODY SERVICES

The bank provides custody services to its clients with respect to their security transactions through its participation, Stichting Effecten Dienstverlening which is consolidated to the financial statements of the bank. The total nominal amount of assets held in custody for the clients of the bank as of December 31, 2005 is Euro 79,027 (2004: Euro 55,155).

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10. RELATED PARTY TRANSACTIONS

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

Related parties are defined as follows:

The bank is wholly owned by Türk Ekonomi Bankası A.Ş. (TEB A.Ş.) which is a part of TEB Financial Group of which TEB Mali Yatırımlar A.Ş. (TEB Financial Investments) is the holding company. In 2005, BNP Paribas bought %50 of TEB Mali Yatırımlar A.Ş., the remaining 50% is owned by Çolakoğlu Group.

In the year 2004 related party figures include exposures and profit and loss amounts generated through the transactions done with TEB Financial Group and Çolakoğlu Group companies.

For the year 2005, as a result of the partnership, the transactions with BNP Paribas and its related group companies are also included.

	2005			2004		
	TEB A.Ş.	OTHER	TOTAL	TEB A.Ş.	OTHER	TOTAL
Interest Income	810	2,658	3,468	428	2,658	3,086
Interest Expense	(307)	(13,097)	(13,404)	(22)	(6,999)	(7,021)
Total Net Interest Income/(Expense)	503	(10,439)	(9,936)	406	(4,341)	(3,935)
Fees and Commissions Income	167	304	471	193	19	212
Fees and Commissions Expense	(15)	(1,808)	(1,823)	(25)	(1,476)	(1,501)
Total Net Fees and Commissions Income/(Expense)	152	(1,504)	(1,352)	168	(1,457)	(1,289)

Increase in the interest expense between 2004 and 2005 is mainly a result of increase in interest rates and currency fluctuation between USD and EUR as the major part of the funding is denominated in US dollars.

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Notes to the Consolidated Financial Statements

ASSETS	2005			2004		
	TEB A.Ş.	OTHER	TOTAL	TEB A.Ş.	OTHER	TOTAL
Short-term placements to Banks	125	39,229	39,354	679	9,170	9,849
Loans and advances to Banks	9,909	-	9,909	16,933	-	16,933
Loans and advances to Customers	-	17,203	17,203	-	1,371	1,371
TOTAL	10,034	56,432	66,466	17,612	10,541	28,153
LIABILITIES						
Funds Borrowed from Banks	7	1,217	1,224	23	839	862
Due to Customers	-	355,640	355,640	-	350,014	350,014
TOTAL	7	356,857	356,864	23	350,853	350,876
COMMITMENTS AND CONTINGENT LIABILITIES						
Letters of Guarantee	-	211	211	-	183	183
Import L/C	-	47,265	47,265	-	-	-
Export L/C	12,285	5,562	17,847	3,973	-	3,973
TOTAL COMMITMENTS AND CONTINGENT LIABILITIES	12,285	53,038	65,323	3,973	183	4,156

General and other administrative expenses include Management Fee payment of EUR 229 and 186 to TEB Mali Yatırımlar A.Ş. as of December 31, 2005 and 2004 respectively. In the year 2005, as part of administrative expenses, EUR 55.5 was paid to TEB A.Ş. (EUR 53 for insurance policies, EUR 1.5 for support agreement and EUR 1 for firewall security upgrade).

In connection with the risk assets and contingent transactions of related parties, amongst Due to customers, Euro 14,051 and Euro 61,075 have been allocated as pledge to the bank against the assets and contingent items as of December 31, 2005 respectively (2004: nil and nil).

The members of the Supervisory Board and the Management Board are considered key management personnel. The Remuneration of members of the Supervisory Board and Management Board is as follows.

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Notes to the Consolidated Financial Statements

ASSETS	31-Dec-05		31-Dec-04	
	Supervisory Board	Management Board	Supervisory Board	Management Board
Salaries and Bonuses	79	806	53	703

Remuneration represents the full compensation for the Management and Supervisory members as there is no separate pension scheme for them.

Members of the Management Board do not have any shares of TEB A.Ş. in their possession.

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 (2004: Euro 22).

11. SOLVENCY RATIO

The BIS solvency ratio of the bank is 21% and 24% as of December 31, 2005 and 2004, respectively.

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

Own funds of the bank amount to Euro 57.448 as of December 31, 2005 (2004: Euro 52.770). The following table analyses actual capital adjusted for cumulative impact of fund for general banking risks and minimum requirements in accordance with the supervision of DNB.

	2005		2004	
	Required	Actual	Required	Actual
Total Own Funds	34.898	57.448	30.191	52.770
Total Own Funds Ratio	8%	13%	8%	14%
Tier 1 Capital	17.449	57.448	15.096	52.770
Tier 1 Ratio	4%	15%	4%	14%

12. POST BALANCE SHEET EVENTS

There are no events which took place after the balance sheet date that could result to a major impact on financial results.

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Company Financial Statements



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Company Financial Statements

Balance Sheet as at December 31, 2005

(all amounts in thousand Euros)

ASSETS	31-Dec-05	31-Dec-04
Cash and balances with Central Banks	12,068	10,908
Financial Assets Held-for-trading	15,353	5,561
Short-term placements to Banks	318,916	332,169
Loans and advances to Banks	108,847	81,092
Loans and advances to Customers	225,460	175,486
Investment securities - Held-to-maturity	7,375	4,243
Property and Equipment	279	299
Intangible Assets	167	102
Participations	143	143
Other Assets and Prepayments	5,190	4,721
TOTAL ASSETS	693,798	614,724
LIABILITIES		
Funds Borrowed from Banks	17,188	8,627
Derivative Financial Instruments	1,831	607
Due to Customers	616,163	551,090
Taxation Liability	252	661
Other Liabilities and Accruals	1,103	1,050
TOTAL LIABILITIES	636,537	562,035
EQUITY		
Paid-in Capital	30,000	30,000
Retained Earnings	27,261	22,689
TOTAL EQUITY	57,261	52,689
TOTAL EQUITY AND LIABILITIES	693,798	614,724
COMMITMENTS	538	488
CONTINGENT LIABILITIES	190,117	79,233
TOTAL COMMITMENTS AND CONTINGENT LIABILITIES	190,655	79,721

The Economy Bank N.V.
Company Financial Statements
For the Financial Year Ended December 31, 2005
Income Statement
(all amounts in thousand Euros)

	31-Dec-05	31-Dec-04
Interest Income	35,067	26,962
Interest Expense	(29,386)	(21,161)
Net Interest Income	5,681	5,801
Fees and Commissions Income	8,553	8,027
Fees and Commissions Expense	(2,370)	(2,018)
Net Fees and Commissions Income	6,183	6,009
Net Trading Income	1,184	945
Net Banking Income	13,048	12,755
Administrative Expenses		
Staff Costs	(3,962)	(3,267)
General and Administrative Expenses	(2,225)	(1,957)
Depreciation and Amortization	(6,187)	(5,224)
	(188)	(146)
Operating Expenses	(6,375)	(5,370)
Operating Profit before Taxation	6,673	7,385
Income Tax Expense	(2,101)	(2,640)
Profit for the Year	4,572	4,745

The Economy Bank N.V.

Company Cash Flow Statements

(all amounts in thousand Euros)

	31-Dec-05	31-Dec-04
Cash flows from operating activities		
Net Profit	4,572	4,745
Depreciation	188	146
Change in financial instruments held for trading	(9,792)	5,325
Change in banks (not on demand & overnight)	7,390	(50,367)
Change in loans and advances to banks	(27,755)	(11,799)
Change in loans and advances to customers	(49,974)	75,489
Change in investment securities	(3,132)	(1,810)
Change in funds borrowed from banks	73,273	(63,091)
Other changes in other assets and liabilities	394	995
Total cash flows from operating activities	(4,836)	(40,367)
Cash flows from investment activities		
Investment in property and equipment	(233)	(359)
Total cash flows from investment activities	(233)	(359)
Total cash flows from financing activities		
	-	-
Net cash flow	(5,069)	(40,726)
Cash Balance as at the beginning of the year	17,306	58,032
Cash Balance as at the end of year	12,237	17,306
Change in cash balance	(5,069)	(40,726)
Cash and cash equivalents		
Cash and balances with Central Banks	68	108
Net cash position from banks on demand & overnight	12,169	17,198
Total cash and cash equivalents	12,237	17,306
Cash flow from operating activities include:		
Interest received	36,723	26,962
Interest paid	(28,745)	(21,161)
Tax paid	(2,582)	(2,640)

The Economy Bank N.V.

Notes to the Company Financial Statements

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS

Please refer to the notes to the consolidated financial statements. There are no differences in the accounting policies, except for the investments in group companies that are stated at cost.

14. INCOME STATEMENT

14.1 Net Interest Income

	2005	2004
Interest Income		
Cash and short-term funds	12,567	5,550
Investment securities	428	184
Loans and advances to banks	4,055	2,574
Loans and advances to customers	18,017	18,654
	35,067	26,962
Interest Expense		
Funds borrowed from banks	(1,852)	(1,217)
Due to customers	(27,534)	(19,944)
	(29,386)	(21,161)
	5,681	5,801

14.2 Net Fees and Commissions Income

	2005	2004
Fees and commissions income		
Cash loan fees and commissions	1,573	1,529
Non-cash loan fees and commissions	2,757	2,785
Private Banking fees and commissions	3,205	2,800
Fund transfer commissions	740	551
Other banking services	278	362
	8,553	8,027
Fees and commissions expense		
Brokerage fees paid	(2,223)	(1,907)
Other fees paid	(147)	(111)
	(2,370)	(2,018)
	6,183	6,009

The Economy Bank N.V.

Notes to the Company Financial Statements

14.3 Net Trading Income

	2005	2004
Securities Trading Income/(Loss)	706	724
Foreign Exchange Gain/(Loss)	443	236
Forfeiting Income	35	(15)
	<u>1,184</u>	<u>945</u>

14.4 Staff Costs

	2005	2004
Salaries and Bonuses	(3,523)	(2,848)
Pension Expenses	(80)	(16)
Social Security Contributions	(157)	(124)
Others	(202)	(279)
	<u>(3,962)</u>	<u>(3,267)</u>

14.5 General and Other Administrative Expenses

	2005	2004
Maintenance and various administrative expenses	(1,502)	(1,281)
Rent expense	(336)	(298)
Communication expense	(387)	(378)
	<u>(2,225)</u>	<u>(1,957)</u>

14.6 Income Tax Expense

The effective tax rate of the bank is 31.5% (2004: 35.4%), which does not differ from the nominal tax rate.

15. BALANCE SHEET

15.1 Cash and Balances with Central Banks

This includes cash in hand and placements with De Nederlandsche Bank NV.

15.2 Financial Assets Held-for-trading

Trading securities portfolio of the bank is composed of public debt securities amounting Euro 12,994 (including EUR 67 floating rate Treasury Bills) and Euro 4,297 as of December 31, 2005 and 2004 respectively.

	2005	2004
Trading Securities - Held-for-trading	12,994	4,297
Derivative Financial Instruments - Assets	2,359	1,264
Total	<u>15,353</u>	<u>5,561</u>

The Economy Bank N.V.

Notes to the Company Financial Statements

15.3 Short-Term Placements to Banks

The item includes nostro accounts and all short-term placements to banks. The balance includes short-term placements amounting Euro 315,233 and Euro 328,282 as of December 31, 2005 and 2004 respectively.

	2005	2004
Nostro accounts	3,683	3,887
Overnight placements	9,710	14,170
Placements maturing within one month	305,523	314,112
	318,916	332,169

15.4 Loans and Advances to Banks

The balance includes loans and advances to Banks amounting Euro 108,847 and Euro 81,092 as of December 31, 2005 and 2004 respectively.

15.5 Loans and Advances to Customers

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

The total amount of uncollectible loans and advances to customers amounts to 'nil' as of both December 31, 2005 and 2004.

15.6 Investment Securities - Held-to-Maturity

Investment securities portfolio of the bank is composed of public debt securities amounting Euro 7,375 and Euro 4,243 as of December 31, 2005 and 2004 respectively.

Changes in the investment portfolio are as follows:

	2005	2004
Balance Sheet as at January 1	4,243	2,410
Purchases	7,375	2,020
Foreign exchange differences	-	(187)
Redemptions	(4,243)	-
Balance Sheet as at December 31	7,375	4,243

The Economy Bank N.V.

Notes to the Company Financial Statements

15.7 Property and Equipment

The breakdown of property and equipment as at December 31, 2005 and 2004 is as follows:

	Equipment	2005 Total	2004 Total
Balance Sheet Value as at January 1	299	299	145
Additions	110	110	262
Disposals	(2)	(2)	(6)
Depreciation	(128)	(128)	(102)
Balance Sheet Value as at December 31	279	279	299
Cost of Property and Equipment	900	900	829
Accumulated Depreciation	(621)	(621)	(530)

15.8 Intangible Assets

The breakdown of Intangible assets as at December 31, 2005 and 2004 is as follows:

	2005 Total	2004 Total
Balance Sheet Value as at January 1	102	44
Additions	124	102
Disposals	-	-
Depreciation	(59)	(44)
Balance Sheet Value as at December 31	167	102
Cost of Intangibles	801	676
Accumulated Depreciation	(634)	(574)

15.9 Derivative Financial Instruments

In the ordinary course of business, the bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards and swaps. In accordance with Basel capital requirements total credit equivalent amounts for 2005 and 2004 are Euro 214,417 and Euro 46,927 respectively.

The Economy Bank N.V.

Notes to the Company Financial Statements

As at 31 December 2004

	Contract/ notional amount	Up to 1 month	1 to 3 Months	3 to 6 Months	Fair Values	
					Assets	Liabilities
Forward contracts	16,621	1,249	14,028	1,344	1,261	602
Currency swaps	2,736	2,736	-	-	3	5
	19,357	3,985	14,028	1,344	1,264	607

At 31 December 2005

	Contract/ notional amount	Up to 1 month	1 to 3 Months	3 to 6 Months	Fair Values	
					Assets	Liabilities
Forwards contracts	37,931	18,170	19,761	-	2,359	1,831
	37,931	18,170	19,761	-	2,359	1,831

15.10 Participations

The participations balance presented in the company balance sheet of the bank represent 100% owned entities KVBV and Stichting.

15.11 Other Assets and Prepayments

This item comprises advances to suppliers and employees, prepaid expenses and the advances granted to KVBV for the construction costs of the premises built for the bank's own use.

15.12 Funds Borrowed from Banks

This includes all the debts to credit institutions of Euro 17,188 as of December 31, 2005 (2004: Euro 8,627). There are no loans from banks with subordinated nature in 2005 and in 2004.

Average funding cost for TRY is 12.13% and for other currencies is 4.14%.

	2005	2004
Loro accounts	1,224	862
Fund borrowed maturing within one month	15,856	7,765
Fund borrowed maturing within one year	108	-
	17,188	8,627

The Economy Bank N.V.

Notes to the Company Financial Statements

15.13 Due to Customers

This includes funds entrusted to the bank by customers such as current accounts amounting to Euro 70,502 and time deposits of Euro 545,661 (2004: Euro 53,849 and Euro 497,241 respectively). The funds entrusted by private persons and corporate clients amounts to Euro 167,344 and Euro 448,819 as of December 31, 2005 respectively (2004: Euro 113,405 and Euro 437,685).

Average funding cost for TRY is 13.14% and for other currencies is 4.00%.

In connection with the risk assets and contingent transactions, amongst Due to customers, Euro 70,701 and Euro 70,307 have been allocated as pledge to the bank against the assets and contingent items as of December 31, 2005 respectively (2004: Euro 60,442 and nil).

15.14 Taxation Liability

This item includes corporate income taxes payable of the bank, net of prepaid taxes is Euro 225 (2004: 661).

The bank is head of fiscal unity with its subsidiary KVBV. The taxation liability of the fiscal unity is calculated on an entity basis for TEB NV and KVBV separately. TEB NV holds the responsibility for settlement of the taxation liabilities of the fiscal unity of which the taxation related to KVBV is settled through the intercompany accounts.

15.15 Other Liabilities and Accruals

This item includes expenses recognized, but whose actual payment occurs in a different period as well as payables to various suppliers and payables to tax authorities.

The Economy Bank N.V.

Notes to the Company Financial Statements

15.16 Paid-in 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:

	2005	2004
Balance as at January 1	30,000	30,000
Issues of new shares added from other reserves	-	-
Balance as at December 31	30,000	30,000

15.17 Retained Earnings

The changes in retained earnings are as follows:

	2005	2004
Balance as at January 1	17,944	14,384
Profit distribution of prior years	4,745	3,560
Net profit for the year	4,572	4,745
Balance as at December 31	27,261	22,689

16. OTHER INFORMATION

16.1 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.

The Economy Bank N.V.

Notes to the Company Financial Statements

16.2 Proposed Profit Appropriation

Pursuant to article 31 of the Articles of Association, The Management Board proposed the appropriation of net profit as follows:

Additions to Retained Earnings Euro 4,678

This proposal has been included in the balance sheet of the bank.

16.3 Post Balance Sheet Events

There are no events which took place after the balance sheet date that could result to a major impact on financial results.

AUDITORS REPORT

Introduction

We have audited the accompanied financial statements of The Economy Bank N.V., Amsterdam, for the year 2005 initialled for identification purposes. 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, 2005 and of the result and the cash flows for the year then ended in accordance with International Financial Reporting Standards and in accordance with International Financial Reporting Standards as adopted by the EU and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Furthermore we have established to the extent of our competence that the Directors' Report is consistent with the financial statements.

Amsterdam, April 13, 2006

for Ernst & Young Accountants

P. Laan

C.G.J de Lange

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