TÜRK EKONOMİ BANKASI

Annual Report 2000

Contents

bank profile

In 1981, Kocaeli Halk Bankası, a small-scale regional bank established in 1927, was acquired by the Çolakoğlu Group on their way toward sectoral diversification, the objective being gradually to develop a full-service financial institution. The Bank's name was subsequently changed to Türk Ekonomi Bankası (TEB), and its services were expanded to cover corporate, commercial as well as private banking operations. With these changes, the Bank was able to offer an increasingly sophisticated range of financial products to private businesses, multinational companies and wealthy individuals in Turkey.

During the 1980s, while other Turkish banks developed extensive countrywide branch networks, TEB adopted a strategy of specialisation and consolidated its financial strength, with particular emphasis on trade finance and advisory services.

TEB has also been a pioneer in initiating private banking services in Turkey in the 1980s, and was the first to provide such services through branch offices. In 1995, TEB started to expand its branch network, thus to make available its products for companies as well as individuals in all the major cities of the country. Currently, the core business lines of TEB are corporate, commercial, private and retail banking as well as treasury activities.

Despite the financial difficulties and especially the liquidity squeeze encountered by the Turkish economy in November 2000, TEB boldly expanded its financial services, opening eight additional branches and implementing technology-based alternative distribution channels in year 2000.

TEB attaches great importance to client relations and to the quality of services it offers. Its basic strategy is to establish and build long-term relationships with selected companies and individuals in Turkey by providing them a full range of banking and financial services which respond to the needs of these companies, their affiliates, key shareholders, management and employees. TEB has been constantly improving the quality of its services, considering it more important than expansion for its own sake. At the end of 2000, the Bank had 54 branches located in major traditional as well as recently emerged business areas of Turkey. In 2000, seven new branches became operational, in addition to a Call Centre Branch, "Telepati Retail Finance Centre", specifically designed to answer the needs of retail banking clients. TEB will continue to expand its products and services to meet the needs of its clients while broadening geographical coverage.

TEB attaches great importance to client relations and to the quality of services it offers. Its basic strategy is to establish and build long-term relationships with selected companies and individuals in Turkey by providing them a full range of banking and financial services which respond to the needs of these companies, their affiliates, key shareholders, management and employees.

As part of its strategy of building an integrated financial services group, TEB has established TEB Leasing, TEB Investment, TEB Factoring, TEB Insurance, The Economy Bank N.V. in The Netherlands, TEB Asset Management and TEB Precious Metals. The creation of these subsidiaries reinforces the importance that TEB places on meeting the diverse financial needs of its clients. The Çolakoğlu Group had previously established TEB Research, a unique and independent information resource in Turkey, to provide highly reliable economic and financial analyses to institutional investors in Turkey and worldwide.

2000 has been another year of successful financial and operational results for TEB. Thanks to the flexibility of its balance sheet and strong financial position, the reputation of TEB as one of Turkey's strongest banking and financial services groups continued to grow. The subsidiary companies have rapidly gained market share and excellent reputation for the delivery of high quality services. Their strong performance, the synergy between the Bank and its subsidiaries, as well as the expansion of its branch network have reinforced TEB's reputation as one of Turkey's most successful and integrated banking and financial services groups.

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

In February 2000, TEB made a public offering of 20% of its shares. These shares were subsequently listed and are being traded on the Istanbul Stock Exchange, and as GDRs, on the London Stock Exchange.

The dramatic events in the first quarter of 2001 and the subsequent negative developments within the financial sector, once again proved TEB's prudent approach and conservative principles that control asset growth, inherent risks, emphasise liquidity and keep the quality of the customer-base high.

financial highlights

(in millions)

	2000**		1999		1998	
	US$*	TL	US$*	TL	US$*	TL
Total Assets	1,395	937,378,000	1,185	643,259,000	1,044	329,105,000
Marketable Securities	110	74,125,000	312	169,319,000	259	81,686,000
Loans, net	343	230,485,000	211	114,526,000	275	86,655,000
Total Deposits	658	442,106,000	572	310,280,000	611	192,517,000
Shareholders' Equity	151	101,822,000	87	47,105,000	85	26,689,000
Interest Income	231	155,204,000	217	117,923,000	228	71,840,000
Interest Expense	(100)	(67,472,000)	(96)	(52,269,000)	(93)	(29,188,000)
Net Income	12	7,822,000	36	19,388,000	34	10,665,000
Consolidated Net Income	16	10,414,000	50	27,159,000	41	13,012,000

(*) *Converted at the year-end rate of US$ 1 = TL 671,765 for 2000, US$ 1 = TL 542,703 for 1999 and US$ 1 = TL 315,180 for 1998.*
(**) *Extracted from financial statements based on IAS.*

ratios and key operational indicators

	2000	1999	1998
Capital Adequacy	11.24%	10.10%	12.28%
ROE (*)	(33.26%) 9.11%	52.55%	54.48%
ROA (*)	(2.77%) 0.87%	3.99%	4.10%
Number of Staff	1,358	1,408	1,275
Number of Branches	54	46	36

(*) *The figures in parantheses are based on CMB standards.*

TEB's ratings from major rating agencies*

Moody's Investor Service

Banking Financial Strength
D+ (C)

Foreign Currency Bank Deposit
B3 (B3)

Fitch

LC Long-term
B (B)

FC Long-term
B+ (B+)

Individual
C

Support
4T

LC Short-term
B (B)

FC Short-term
B (B)

Thomson BankWatch

Intra-country Issuer
IC-B

LC Short-term
LC-1

Capital Intelligence

FC Long-term
B+ (B+)

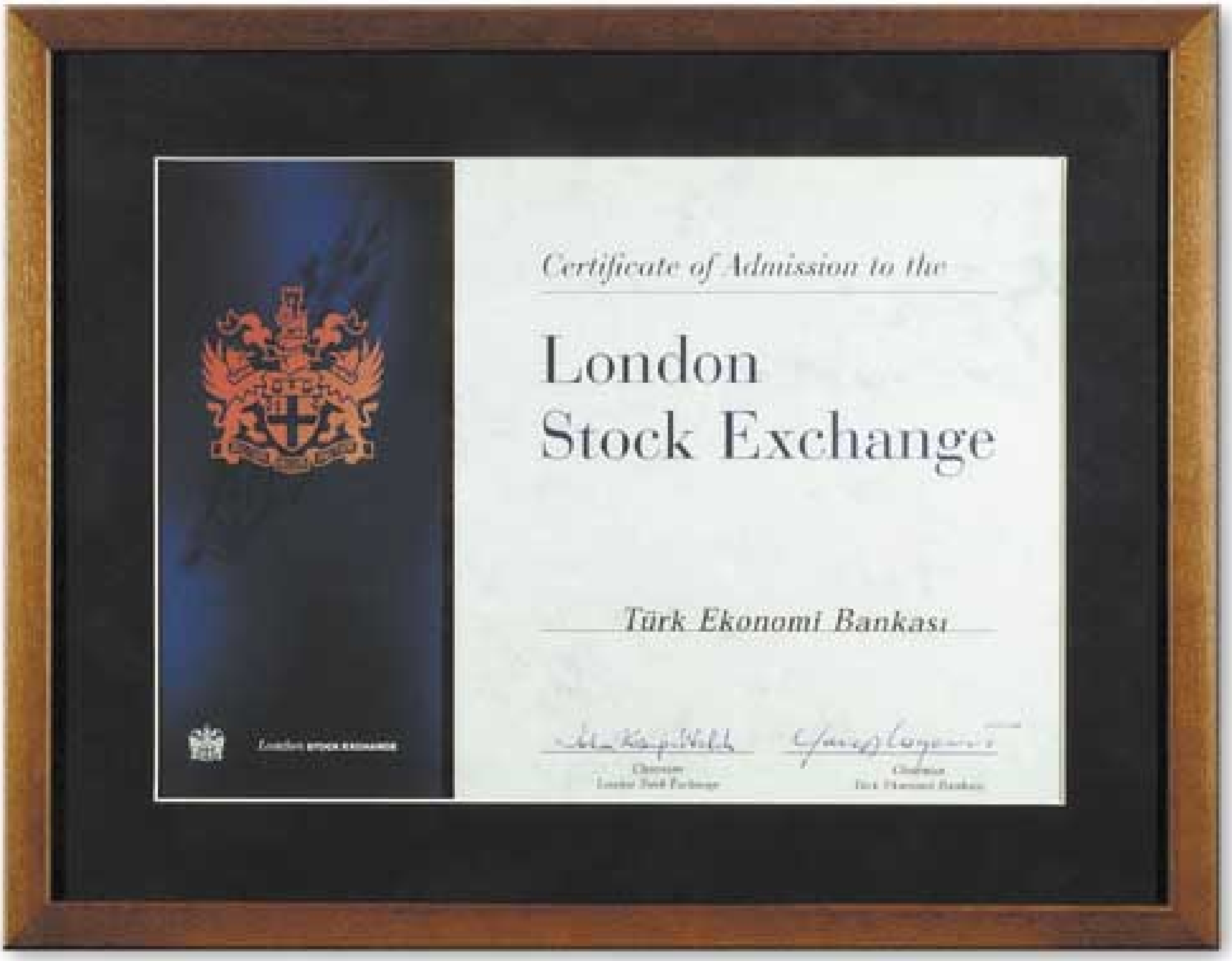
FC Short-term
B (B)

Domestic Strength
A-

Support
2

Note: Country ceilings are given in parenthesis.

(*) *As of March 2001*


Certificate of Admission to the
London
Stock Exchange
Türk Ekonomi Bankası
London STOCK EXCHANGE

The government, in power since the 1999 general election, continued implementing the IMF-backed programme during 2000. This aimed to decrease inflation, reduce the burdens on the financial sector with structural reforms and, with new monetary policies, build confidence and stability in money and capital markets.

Looking from a different perspective, the programme envisaged the restructuring of the public administration and attempted to eliminate uncertainties regarding financial investments and fluctuations of the exchange rate, while decreasing inflation and interest rates making them predictable over a period of three years. One of the main components of the programme, the "exchange anchor" worked out well and significant decreases in inflation and interest rates have been observed. However structural reforms, especially privatisation, could not be implemented at similar pace and effectiveness. As a result, foreign capital inflow did not materialise at initially anticipated levels.

Under the tight measures of the programme, the Central Bank of Turkey was not allowed to provide liquidity to financial markets in excess of foreign currency inflow. In addition, TL deposits were not converted to FX deposits and expected foreign capital inflow did not materialise. A liquidity squeeze for TL started to become increasingly apparent in the markets. This development propelled interest rates to higher levels. Observing maturity mismatches in banks' balance sheets and the growing tension in the markets, foreign funds hastily fled Turkey's money and capital markets. This led to a serious liquidity crisis in late November, the effects of which continued into the new year entailing a rather heavy cost to the economy.

Notwithstanding these difficulties, the year 2000 has been an important turning point for the banking sector in terms of restructuring, which will remain on the agenda for some more time. Problems, neglected for years, had penetrated deeply into the system to become even more apparent when new regulatory and supervisory bodies started to exert a firmer approach. At this junction, with the additional burdens imposed on the system by the recent crisis, it was quite obvious that the system would no longer be able to handle the ongoing problems. The restructuring of the financial system thus became inevitable, and was unanimously agreed upon by all the market participants.

Turkey's banking sector experiences more global competition than any other sector in the country. Since the 1980s, the system

The government, in power since the 1999 general election, continued implementing the IMF-backed programme during 2000. This aimed to decrease inflation, reduce the burdens on the financial sector with structural reforms and, with new monetary policies, build confidence and stability in money and capital markets.

has been preparing for international competition, notwithstanding the serious fluctuations resulting from occasional turmoil in the markets. In the immediate future, there is urgent need for the banking sector to restructure itself with regard to cost, efficiency and profitability in accordance with international criteria. It also needs to take the necessary steps to adapt itself to an environment of relatively moderate inflation. This emerges as one of the key elements for the success of the economic programme. In our opinion the sector will have to reduce its size in an initial phase before entering a healthier growth trend, later.

The recent economic developments have confirmed once again the rightness of the prudent banking policies followed by our Bank and the emphasis we put on risk measurement. Consequently, the effects from the crisis have been minimal in the case of TEB.

The recent economic developments have confirmed once again the rightness of the prudent banking policies followed by our Bank and the emphasis we put on risk measurement. Consequently, the effects from the crisis have been minimal in the case of TEB.

Market, credit and liquidity risks constitute the integral parts of regular banking activity. Likewise, TEB is dedicated to a strict risk management process to which all senior managers actively participate. Market risk exposure is closely monitored and observed on a daily basis against authorised limits, set by the Management Committee and approved by the Board of Directors. Liquidity risk is monitored by the Assets and Liabilities Committee, and regular daily reports are prepared with regard to maturities and prospective cash flows. Credit risk is monitored and controlled by the Credit Committee and the Credit Control Department. In the case of new product development, thorough risks assessment precedes its launching, resorting to adequate accounting and operational procedures and controls.

Our consistent management philosophy has once again been instrumental in obtaining favourable results in 2000. Indeed, our balance sheet footing reached US$ 1,395 million. Significantly above sector averages, 55% of our total assets consists of liquid assets while 70% is foreign currency denominated. Profit before tax was TL 20,770 billion and shareholders' equity, including net profit, was TL 101,822 billion. In US dollar terms, shareholders' equity increased from US$ 86.8 million at the end of 1999 to US$ 151.6 million at year end 2000.

At the end of the year 2000, TEB's capital adequacy ratio stood at 11.24%, well above the 8% limit set by the regulators.

Our business activities in 2000 continued with particular emphasis on corporate and commercial banking, while retail banking activities were launched in March under the Telepati brand, following an extensive PR campaign. Private banking, treasury and capital market-related activities continued, as usual, while introducing several new products.

On the basis of our prudent credit allocation policies, total outstanding cash credits increased by 51% to TL 230,485 billion, reaching 25% of total assets. Of total cash credits, 84% is short-term with 44% denominated in TL and 56% in foreign currency. Non-performing credits amounted to a highly insignificant ratio of 0.8%.

Non-cash credits reached TL 374 trillion, consisting mainly of short-term letters of guarantee issued for domestic commercial transactions and import guarantees as well as acceptance credits.

Total deposits, an important source of funding for the Bank is TL 442,106 billion, representing 47% of total liabilities. Eighty-one percent of the total deposits represent foreign currency accounts.

In 2000, TEB accounted for US$ 1,189 million worth of export and US$ 2,341 million of import transactions. These figures represent approximately 4.3% of Turkey's total imports and 4.3% of total exports. TEB's share in total imports rose significantly by 128% in 2000 to represent 2.6% compared to 4.3% of total imports the year before.

The number of branch offices rose from 46 at the end of 1999 to 54 at the end of 2000, with the addition of eight new branches: four in Istanbul, two in Ankara and one each in Bursa and Adana. The new branch offices in Bursa and Adana and the new one in Ankara have been designated as corporate branches.

One of the major highlights for the year has been the public offering of TEB shares. Indeed, TEB went public on 22 - 23 February 2000, offering 20% of total shares for a nominal value of TL 8,400 per share, totalling TL 4.9 trillion. Of this total, TL 2.5 trillion was accounted for by the capital increase, and TL 2.4 trillion came from shareholder sales. Through a most successful IPO scheme, the majority of our shares were sold to foreign investors, and were subsequently listed on the Istanbul and London Stock Exchanges.

In the course of the year, negotiations regarding a possible partnership have been initiated with Citibank, as a follow up to the close business ties existing between the two institutions, particularly in the marketing and sales of TEB Mutual Funds, over the last two years. Legal filing with the relevant authorities as well as public announcement will be made, as and when the outcome of these negotiations become available.

The Board of Directors would like to express its appreciation to the shareholders and the Bank's devoted staff for their lasting dedication in making 2000 another successful year, despite the difficulties the Turkish economy has been encountering. We are confident that TEB will continue to prosper and to meet its objectives in the future.

board of directors

Yavuz Canevi, ***Chairman***
Dr. Akın Akbaygil, ***Vice Chairman, Managing Director and General Manager***
Varol Civil, ***Executive Director and Deputy General Manager***
Cihat Madanoğlu, ***Executive Director***
Y. Kamil Eyüplü, ***Director***
Alparslan Karagülle, ***Director***
Refael Taranto, ***Director***

Hasan T. Çolakoğlu, ***Adviser to the Board***

Hakan Tıraşın, ***Secretary to the Board***

senior officers

Meral Arıkan, ***Assistant General Manager***
Ünsal Aysun, ***Assistant General Manager***
Funda Hanoğlu, ***Assistant General Manager***
Sevinç Özşen, ***Assistant General Manager***
Önder Türkkanı, ***Assistant General Manager***
Emre Yalçınkaya, ***Assistant General Manager***
İsmail Yanık, ***Assistant General Manager***

legal counsel

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

auditors

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

As of March 2001

the turkish economy in 2000

The year 2000 started amid high hopes and a rather enthusiastic atmosphere for Turkey. In December 1999, Turkey was finally granted candidate country status by the EU. At the same time, the stabilisation programme embodied in the Stand-By Agreement with the IMF was perceived as another major turning point for the Turkish economy.

Economic results throughout the year 2000 have, indeed, been fairly encouraging due to improved budgetary discipline and well-addressed structural issues. Hence, Government has been successful in raising external borrowing at favourable terms through restored confidence and recovered economic activity following the recession in 1999. These results were achieved despite two negative external shocks, i.e. the extremely weak Euro, and the skyrocketing oil prices. However, delays in implementing structural issues, compounded with rising concern over the widening current account deficit, together with rumours about the soundness of the banking sector, and the unfavourable atmosphere in emerging markets, led to a liquidity crisis in late November. Notwithstanding these developments, IMF reaffirmed its support to Turkey's economic reform programme, and approved the release of an additional US$ 7.4 billion Supplemental Reserve Facility (SRF). Likewise, the Turkish Government gave assurance regarding the implementation of additional measures to keep the programme on track. These announcements had a positive impact on market confidence curbing interest rates while the Central Bank was able to restore its fx reserves.

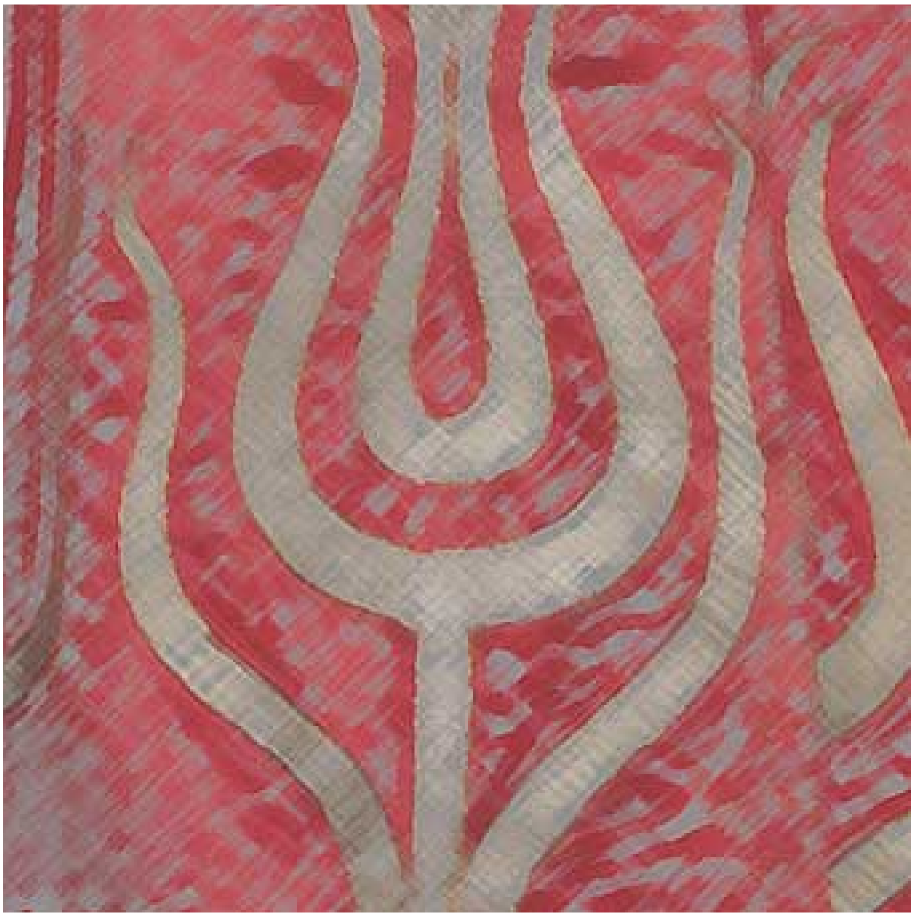
Following 6.1% contraction in 1999, economic activity picked up in the year 2000. The notable decline in interest rates has been the major driving force behind the recovery. Declining interest rates coupled with improved confidence stimulated investment and private consumption, which heavily relied on consumer loans. GDP growth recorded 7.2% in the year 2000, while GNP growth remained at 6.1%, due to the 75% decline in net factor income from abroad. Year-end GNP growth is estimated at 5.9%.

However, GNP growth in the first half of the year remained relatively moderate at 4.6%, reflecting the negative effect of the 1999 Marmara earthquake which led to the interruption of output in the country's major oil refinery. With the reversal of this situation, growth reached 7.4% in the second half of the year.

Growth in Gross Domestic Product in terms of Expenditure (%)

	1994	1995	1996	1997	1998	1999	2000
Private Consumption Exp.	(5.4)	4.8	8.5	8.4	0.6	(2.6)	6.4
Public Consumption Exp.	(5.5)	6.8	8.6	4.1	7.8	6.5	7.1
Public Fixed Capital Formation	(30.8)	(18.8)	24.4	28.4	13.9	(8.7)	19.7
Private Fixed Capital Formation	(10.7)	16.9	12.1	11.9	(8.3)	(17.8)	15.4
GDP	(5.0)	6.7	7.0	7.5	3.1	(4.7)	7.2

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



On the supply side, industrial value added increased by 5.6% in the year 2000, compared to 5% contraction in 1999, while value added in the services sector expanded by 8.7%.

Real Growth Rates by Sectors (%)

	1994	1995	1996	1997	1998	1999	2000
Agriculture	(0.7)	2.0	4.4	(2.3)	8.4	(5.0)	4.1
Industry	(5.7)	12.1	7.1	10.4	2.0	(5.0)	5.6
Services	(4.0)	6.3	7.3	8.6	2.4	(4.5)	8.7
GDP	(5.5)	7.2	7.0	7.5	3.1	(4.7)	7.2
GNP	(5.5)	7.2	7.0	7.5	3.9	(6.1)	6.1

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

The breakdown of GDP by expenditure indicates that the major reason for the recovery in economic activity in 2000 was the increase in private final consumption, mainly in durable goods (27.5%) and in machinery & equipment of the private sector (37.3% in the first half).

On the supply side, industrial value added increased by 5.6% in the year 2000, compared to 5% contraction in 1999, while value added in the services sector expanded by 8.7%. Value added in trade recorded the highest rate of increase with 11.6%. Meanwhile, agricultural output registered 4.1% real growth during the January-September period, which compares favourably with 5% contraction in 1999.

Within the context of the stabilisation programme, annual CPI and WPI inflation rates declined to 39% and 32.7%, respectively. Despite the annual currency depreciation rate of 20%, inflation remained above the initial programme targets of 25% for CPI and 20% for WPI, reflecting buoyant domestic demand, and the remarkably strong US dollar.

After displaying a relatively high rate in the first month of the year due to accelerated currency depreciation and price adjustments in the public sector in late 1999, coupled with the front-loaded private sector price hikes, inflation started a considerable decline in the following months. The rise in international oil prices was not reflected to the domestic consumer. Like the exchange rate, prices of public sector goods were also used as the programme's anchor, with an annual increase fixed at 20.2%, compared to 130% the year before. Accordingly, the annual price increase in the private manufacturing sector recorded 33.6% in the year 2000, down significantly from 59.7% the year before.

The budget data in 2000 pointed to strong fiscal performance, although privatisation revenue fell short of the programme target, due to delays in the sale of the GSM license, as well as the block sale of Turk

Annual Inflation (%)

	1994	1995	1996	1997	1998	1999	2000
Wholesale	149.6	65.6	84.9	91.0	54.3	62.9	32.7
Consumer	125.5	76.0	79.8	99.1	69.7	68.8	39.0

Source: State Institute of Statistics (SIS)

Consolidated Budget (January-December, US$ billion)

	1999	2000	Change (%)
Revenue	45.1	54.1	20.0
Tax Revenue	35.2	42.5	20.8
Non-Tax Revenue	9.9	11.6	17.2
Expenditure	66.6	74.7	12.2
Non-Interest	41.1	41.9	2.4
Personnel	16.4	16.0	(2.6)
Other Recurrent	5.3	5.8	8.7
Investment	3.7	4.0	8.2
Transfer	15.7	16.2	1.4
Interest Payments	25.5	32.7	28.6
Primary Balance	4.0	12.2	205.5
Budget Balance	(21.5)	(20.6)	(4.2)

Source: Ministry of Finance

Telecom. The so-called "earthquake taxes", and the buoyant economic activity raised tax revenues by 15.6% in real terms.

Non-interest expenditures dropped by 2.4%, in real terms, in the year 2000, reflecting mainly the decline in personnel (6.7%) and transfer expenditures (1.4%). The successful implementations of the social security reform, in particular, helped to diminish by 24.3% the budgetary transfers to the social security institutions.

In addition, considerable decline in interest rates in the first quarter of the year led to total interest payments of nearly TL 700 trillion below the initial target.

The overall budget deficit amounted to TL 12,846 trillion (US$ 20.6 billion), down from the initial target of TL 14,128 trillion, representing nearly 10% of GNP, while the primary surplus equalled approximately 6% of GNP. These figures compare favourably with 1999 data according to which the budget deficit to GNP reached 11.6% and the primary surplus represented 2.1% of GNP.

In 2000, the domestic debt stock increased by TL 13,500 trillion (US$ 11.8 billion) to TL 36,421 trillion (US$ 54.2 billion), i.e., 29% of GNP, remaining unchanged with respect to 1999 but depicting 22% growth compared to 1998. A notable portion of the growth in the domestic debt stock reflects the rise in non-cash bonds, which rose by US$ 5.4 billion in the year 2000. The special issue bonds amounting to US$ 5.7 billion, and lent to the Savings Deposit Insurance Fund (for the rehabilitation of the eight banks held by the SDIF) have somewhat aggravated the total domestic debt picture in December.

Calculated on the basis of average TL/US$ exchange rate, net domestic borrowing came close to US$ 22 billion. Notwithstanding the successful external borrowings worth US$ 7.5 billion raised by the Treasury throughout the year 2000, the bulky interest payments amounting to TL 17,702 trillion (US$ 28.1 billion) forced Government to rely on domestic borrowing. Nevertheless, Government was able to limit total cash borrowing to 75% of the redemptions. Moreover, the sharp decline in interest rates helped Government to borrow at relatively favourable rates amounting to an annual compounded average of 36% at the discounted auctions, compared to 107% in 1999. The average maturity of outstanding domestic debt stock dropped to 15.5 months against 16.3 months at year-end 1999. The share of bonds in the domestic debt stock reached 94.4% at the end of 2000 as against 85.9% in December 1999.

Fortunately, no Treasury auction took place during the crisis period, when interest rates in the secondary bond market exceeded 80%, compared to a year-to-date average of 35% until November 21.

Prior to the IMF Stand-By Agreement, the Central Bank of the Republic of Turkey (CBRT) pursued a policy whereby reserve money, the indicator of liquidity, was kept stable through open market operations. Conversely, following the Stand-By Agreement, the role for the CBRT changed significantly. The Bank publicly announces the prospective value of the foreign exchange basket (defined as US$ 1 + Euro 0.77) for the first 18 months of the programme and trades fx at the announced rates without restriction. Its role in the interbank market, however, has been reduced, to allow liquidity fluctuations to affect interest rates by setting a narrow band around TL 1,200 trillion for net domestic assets (indicator of CBRT position vis-à-vis the public sector and banks). Accordingly, liquidity creation became contingent to the balance of payments, only.

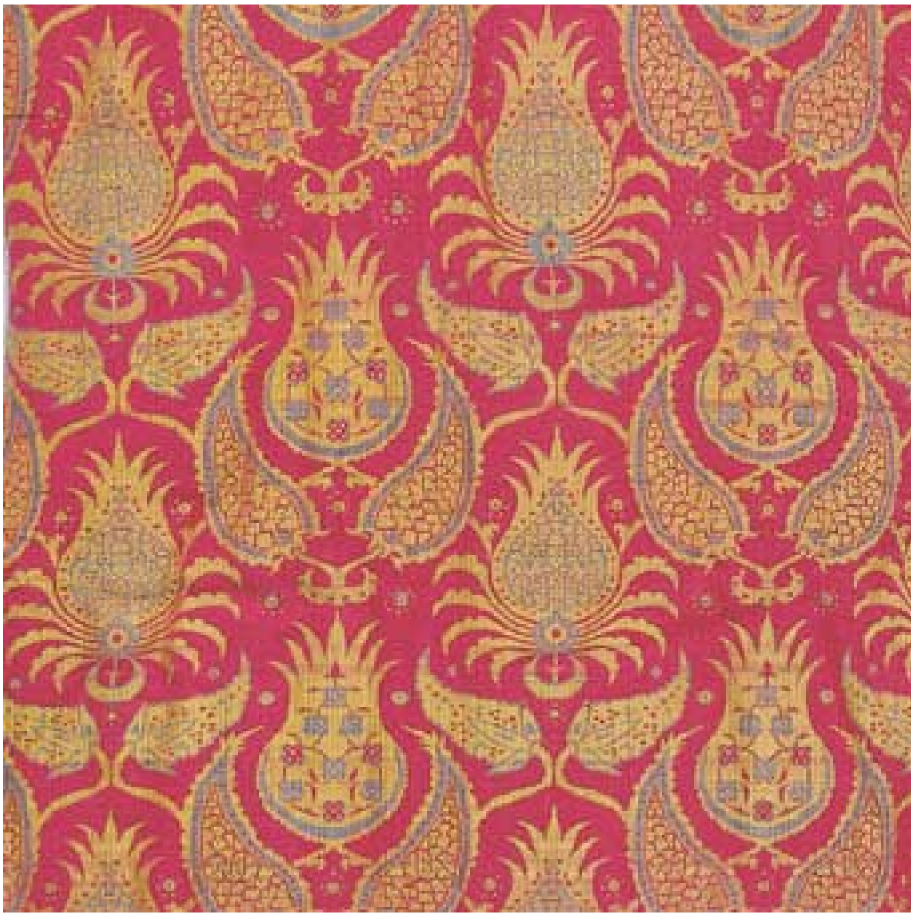
CBRT successfully pursued the monetary policy in the first ten months of the year. Interest rates acted as market regulators, where excessive capital inflow sharply reduced interest rates, discouraging further capital flows, and vice versa. Indeed, CBRT's fx position exceeded US$ 8.5 billion in mid-November.

As the year-end approached, structural and macro-economic concerns, cited previously, gained momentum with the transfer of two commercial banks to the Savings Deposit Insurance Fund in October by the Banking Regulation and Supervisory Board. Problems pending in the banking sector thus came to the spotlight. Propounding rumours on some medium-size banks along with growing concerns initiated a massive fx demand from foreign investors accelerating their usual year-end portfolio closure in late

Components of Outstanding Domestic Debt (US$ billion)

	1994	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
Total	20.8	22.9	29.3	30.6	37.0	42.4	54.2
G-Bonds	6.2	8.6	11.6	17.4	18.4	36.4	51.2
T-Bills	7.9	10.6	14.2	11.6	18.6	6.0	3.1
CB Advance Payments	3.2	3.2	3.5	1.7	-	-	-
Parity Difference*	3.5	0.5	-	-	-	-	-

** Debt arising from Central Bank's short fx position*
Source: Treasury



On December 22, Government made public
a supplementary Letter of Intent to IMF,
identifying clearly the structural reforms
to be undertaken in the year 2001,
and setting monthly and quarterly
targets with regard to monetary
and fiscal aggregates.

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

	Dec 99	Mar 00	Jun 00	Sep 00	Dec 00
Foreign Assets	26.9	27.0	28.7	28.5	24.2
Domestic Assets	(2.8)	(2.9)	(2.9)	(3.3)	(1.7)
Foreign Exchange Liability	21.1	19.1	20.9	20.7	21.1
Central Bank Money	2.9	5.0	4.9	4.5	1.5
Reserve Money	7.3	7.1	7.6	7.4	8.8
Liabilities from OMO	(4.5)	(3.4)	(3.9)	(3.9)	(7.7)
Foreign Exchange Position	5.7	7.9	7.9	7.8	3.1
Net Domestic Assets*	n/a	(1.9)	(2.1)	(1.8)	4.9

Source: Central Bank
** Stand-By definition*

November. FX sales of CBRT amounted to US$ 1.5 billion on November 22. Fears over devaluation, and lack of confidence in the banking sector further triggered fx demand, while tight liquidity situation raised interest rates sky-high, touching four-digit levels. These developments led to the takeover by the SDIF of a medium-size bank in the first week of December.

Interest rates, however, could not regulate the market the way it was foreseen in the monetary programme during this period of instability, which led CBRT to inject substantial liquidity to the public sector and banks through open market operations and cash credit, thus temporarily suspending the Net Domestic Assets (NDA) rule. CBRT's fx position deteriorated by US$ 7 billion over the 22 November – 5 December period, when NDA increased by US$ 5.5 billion.

In the face of these developments, IMF reaffirmed its support to Turkey's economic reform programme and on December 6, approved the release of US$ 7.4 billion in the form of Supplemental Reserve Facility (SRF). In addition to the original agreement, concurrently, the Turkish Government announced the implementation of additional measures. Meanwhile, the World Bank approved the release of US$ 1.5 billion of lending for structural adjustment of the financial sector.

On December 22, Government made public a supplementary Letter of Intent to IMF, identifying clearly the structural reforms to be undertaken in the year 2001, and setting monthly and quarterly targets with regard to monetary and fiscal aggregates. Subsequently, market confidence was restored, and the substantial capital outflow in late 2000 was replaced by fx sales of the banking sector. CBRT's fx position closed the year at US$ 3.1 billion, after having declined to US$ 1.7 billion in early December. CBRT's fx position nearly doubled in the first week of 2001, with banks re-opening their fx positions.

The annual increase in M2YR, the broad money supply including foreign exchange deposits and repo agreements, amounted to 3.2% in real terms, against 19.8% in 1999. In fact, foreign exchange

Monetary Aggregates (US$ billion)

	Dec 99	Mar 00	Jun 00	Sep 00	Dec 00
Currency in Circulation	4.4	4.0	4.4	4.7	5.6
M1	7.4	8.8	9.9	10.1	12.2
M2	42.0	38.2	39.9	40.1	48.8
Foreign Currency Deposits	32.6	34.9	36.8	38.0	36.3
Repo Transactions	7.3	12.2	12.6	10.9	8.9
M2YR	81.8	85.5	89.2	89.0	94.0

Source: Central Bank

denominated deposits increased significantly in the year 2000, exceeding US$ 37.5 billion. The rapid rise in US$/TL parity, despite the limited depreciation of the fx basket made US$ denominated deposits attractive. However, with the appreciation of Euro, and record high money market rates in late 2000, fx deposits declined to US$ 36.3 billion at year-end. Meanwhile, the repo volume increased significantly at the beginning of the year, and remained around US$ 11.4 billion on average, registering only 10% real increase, due to cash demand ahead of the religious holiday period. M1 reached US$ 12.2 billion by the end of the year (compared to an average of US$ 9.2 billion), up 19.7% in real terms.

After having declined moderately (in real terms) in the first ten months of the year, TL deposits increased by 15% in the last two months of the year, in line with higher TL interest rates. Accordingly, TL deposits increased by 3.9% in real terms in the year 2000. Meanwhile, as stated above, fx deposits declined significantly in December, bringing the annual real growth down to nil. Total deposits thus increased by only 2.1% in the year 2000. On the other hand, fuelled by the rise in consumer loans (253%), total loans rose by 17%. As a result, loans-to-deposits ratio improved to 49% at the end of 2000, which compares with 43% the year before. It is worth noting that these figures are considerably below the 72% figure recorded in August 1998, prior to the Russian crisis.

On the external front, foreign trade deficit widened considerably in the year 2000 with imports growing significantly, following the sharp rise in oil prices and the strong domestic demand. Meanwhile, increase in exports remained moderate, reflecting the worsening in export prices. Indeed, in terms of volume, exports grew by 13% in the first ten months of the year while in terms of value, growth remained at 1.4% only over the January-November

Bank Deposits and Loans (US$ billion)

	Dec 99	Mar 00	Jun 00	Sep 00	Dec 00
TL Deposits*	39.7	36.3	37.8	37.5	45.9
FX Deposits*	32.6	34.9	36.8	38.0	36.3
Loans by Deposit Banks	29.5	30.4	33.6	36.3	38.6

** of residents (excl. banks)*
Source: Central Bank

period, amounting to US$ 24.7 billion, close to its 1998 level. The appreciation of US dollar against Euro by more than 8% has had a negative effect on the value of total exports, as EU countries constitute Turkey's major export destinations.
In the year 2000, CBRT kept the depreciation rate of the foreign exchange basket (consisting of US$ 1 and Euro 0.77) at 20%. Due to the evolution of the US$/Euro parity on international financial markets, TL depreciation remained at 14.1% against Euro, but at 24.4% against US dollar.

Indeed, the exchange rate policy of CBRT led to the appreciation of TL, which gained approximately 6% during the first eleven months of the year. The adverse effects of the overvalued Turkish currency contributed to the widening trade deficit. Accordingly, export prices were 5% lower in the year 2000 and 11% with respect to 1999 and 1998 figures.

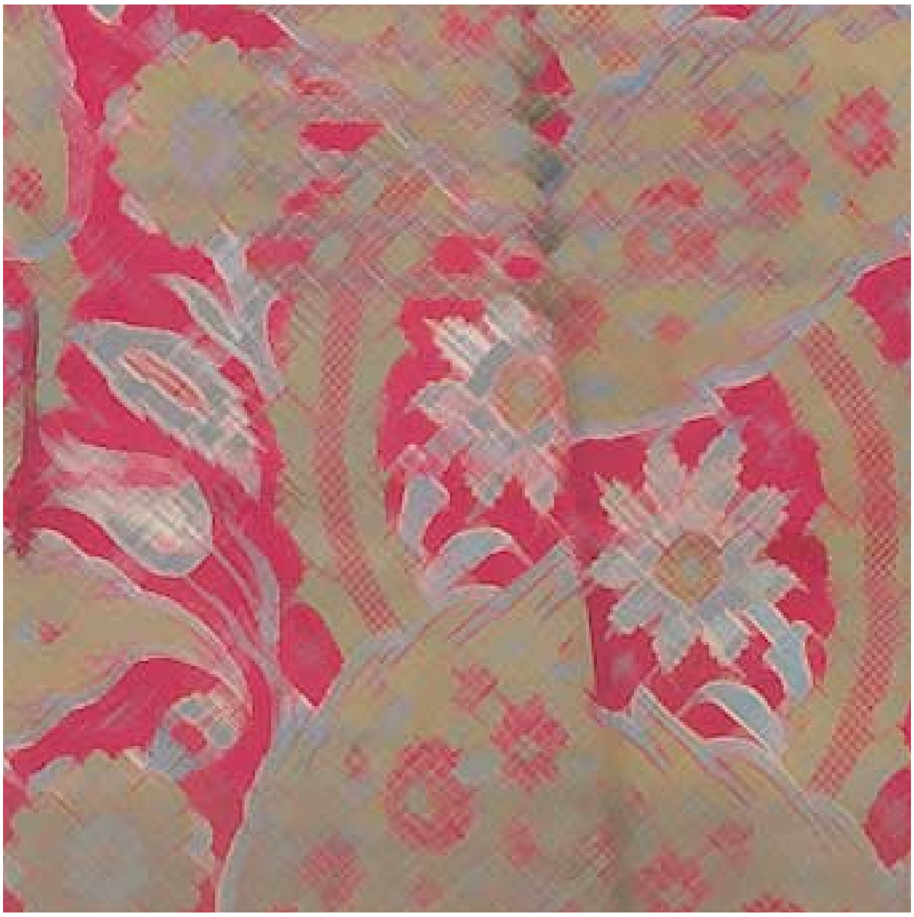
The renewed confidence in economic outlook and the substantial fall in interest rates during the first half of the year 2000 stimulated domestic spending and investments while fuelling imports. Hence, the trade deficit soared to US$ 26.7 billion during the year 2000, reaching a record. Concurrently, imports amounted to US$ 54.2 billion, increasing by 33% year-on-year. However, the expansion in imports is not surprising, considering the strong growth and the unexpected rise in international energy prices. Oil prices soared by 59% during the year 2000, raising the value of oil and petroleum product-imports by 76% to US$ 9.5 billion. Besides, production had to stop in Tüpraş refinery, when it was severely hit by the Marmara earthquake, leading to imports of oil products. This burdened the overall imports bill by nearly US$ 4 billion. Consequently, export to import ratio deteriorated to a low 51% in the year 2000.

According to the breakdown of foreign trade results, the volume of exported consumer goods remained largely stable again this year while exported intermediate goods demonstrated an increase of 4.6% over the previous year. On the imports side, capital goods imports soared 29%, reflecting the recovery in investments. Concurrently, imports of intermediate goods increased by 33%, as a result of buoyant economic activity, which raised consumer goods imports by 43%. During the 1999 recession, consumer goods imports were down by 4%. A significant rise occurred in the automotive sector where imports climbed from US$ 3.1 billion to US$ 5.5 billion in the year 2000.

Foreign Trade (US$ billion)

	1994	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
Exports	18.1	21.6	23.2	26.3	27.0	26.6	27.5
Imports	23.3	35.7	43.6	48.6	45.9	40.7	54.2
Exports/Imports (%)	77.8	60.6	53.2	54.1	58.7	65.3	50.8
Trade Deficit	(5.2)	(14.1)	(20.4)	(22.3)	(18.9)	(14.1)	(26.7)

Source: State Institute of Statistics (SIS)



On the services side, the number of tourist arrivals reached 10.4 million by the end of year 2000, leading to a recovery in net tourism revenues by 59% year-on-year. The increase in “Other Services” amounting to US$ 1.6 billion, includes insurance, freight and non-classified fx revenue appearing in banks’ transactions.

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

	Exports		Imports	
	2000	**1999**	**2000**	**1999**
OECD Countries	18.7	18.1	35.3	28.3
EU	14.4	14.3	26.4	21.4
EFTA	0.3	0.4	1.1	0.9
Other OECD	4.1	3.3	7.8	6.0
Non-OECD Countries	7.7	7.8	18.2	11.9
European	2.9	2.8	7.1	4.7
African	1.3	1.7	2.7	1.7
American	0.2	0.2	0.6	0.5
Middle Eastern	2.1	2.2	3.1	2.0
Other Asian	0.6	0.7	3.5	2.4
Other	0.4	0.2	1.2	0.6
Turkish Free Trade Zones	0.9	0.8	0.5	0.5
Total	27.5	26.6	54.2	40.7

Source: State Institute of Statistics (SIS)

In the same period of time, exports to EU Countries declined by 1.2%. Meanwhile, exports to CIS countries (previously hit by the Russian crisis) improved by 7.2% to US$ 2.7 billion.

During the deep recession in the aftermath of the Russian crisis, current account deficit narrowed significantly to US$ 1.4 billion at the end of 1999. However, with economic activity picking up stimulated by

Balance of Payments (US$ million)

	2000 (a)	**1999 (b)**	**Change (a-b) (%)**
Current Account	(9,765)	(1,364)	616
Foreign Trade Balance	(22,341)	(10,447)	114
Exports (FOB)	31,214	29,326	6
Trunk Trade	2,944	2,255	31
(-) Imports (FOB)	(53,555)	(39,773)	35
Invisibles Balance	7,351	3,908	88
Tourism (net)	5,925	3,732	59
Interest (net)	(3,463)	(3,100)	12
Other (net)	4,889	3,276	49
Workers' Remittances	5,225	5,175	1
Capital Account	9,445	4,671	102
Direct Investment	112	138	(19)
Portfolio Investment	1,022	3,429	(70)
Long-term Capital	4,276	345	1,139
Short-term Capital	4,035	759	432
Net Errors & Omissions	(2,677)	1,899	n/m
Increase in Reserves	(2,997)	5,206	n/m

Source: Central Bank

declining interest rates, the current account deficit reached its ever-high with US$ 2.3 billion over the first quarter, subsequently rising to US$ 5.6 billion at the end of the first half of the year. Over-heating of US dollar compounded by the oil price turbulence in world markets, following OPEC's production cuts increased the burden. The current account balance revealed a deficit of US$ 9.8 billion at the of the year 2000. However, almost 49% of the rise in the current account deficit originated from higher petroleum products imports.

On the services side, the number of tourist arrivals reached 10.4 million by the end of the year 2000, leading to a recovery in net tourism revenues by 59% year-on-year. The increase in "Other Services" amounting to US$ 1.6 billion, includes insurance, freight and non-classified fx revenue appearing in banks' transactions. This rise helped to narrow the otherwise widening current account deficit. Meanwhile, workers' remittances remained stagnant with respect to 1999, registering US$ 5.2 billion in the year 2000. However, Net Errors and Omissions figure has been, once again, relatively high denoting significant levels of unregistered capital outflows.

In the first ten months of the year, inflow of capital reached a historical peak, encouraged by the economic results and the confidence climate generated by the implementations of the Stand-By Agreement. Indeed, the capital account recorded US$ 12.5 billion by the end of October, significantly above the US$ 7.1 billion figure in 1997, the year preceding the recession years of 1998 and 1999. However, the turmoil in the financial markets in late November led to substantial capital outflows, negatively affecting Central Bank reserves which dropped to US$ 19.6 billion from US$ 23.2 billion at year-end 1999. Hence, total capital inflow figure declined to US$ 9.5 billion by the end of the year 2000.

In the first ten months of the year, inflow of capital reached a historical peak, encouraged by the economic results and the confidence climate generated by the implementations of the Stand-By Agreement.

Despite Treasury's successful bond issues in international capital markets, reaching US$ 7.5 billion during the year, "Portfolio Investments" remained at US$ 1.0 billion over the first eleven months, reflecting foreign investor bond sales as high as US$ 5.5 billion during the last two months of the year.

On the other hand, the long-term capital inflows amounting to US$ 345 million in 1999 soared to US$ 4.3 billion in 2000. Likewise, short-term capital inflows surged to US$ 4.0 billion. Consequently, the substantial current account deficit coupled with the hefty capital outflow led to a decline in reserves by US$ 2.7 billion over the January-November period. The current

Outstanding Foreign Debt (US$ million)

	1995	1996*	1997	1998	1999	2000
Total	73,278	79,571	84,797	96,897	103,025	114,324
Medium- and Long-Term	57,577	62,226	66,750	75,680	79,553	85,412
Public Sector	49,958	40,209	39,349	40,491	43,452	47,165
Private Sector	7,619	10,628	16,533	23,116	25,789	24,850
Short-Term	15,701	17,345	18,047	21,217	23,472	28,912
Parity Effect	1,970	-	-	-	-	-

**New Series since 1996*
Source: State Planning Organisation (SPO), Treasury

deficit is estimated at 4.8% of GNP for the whole year.

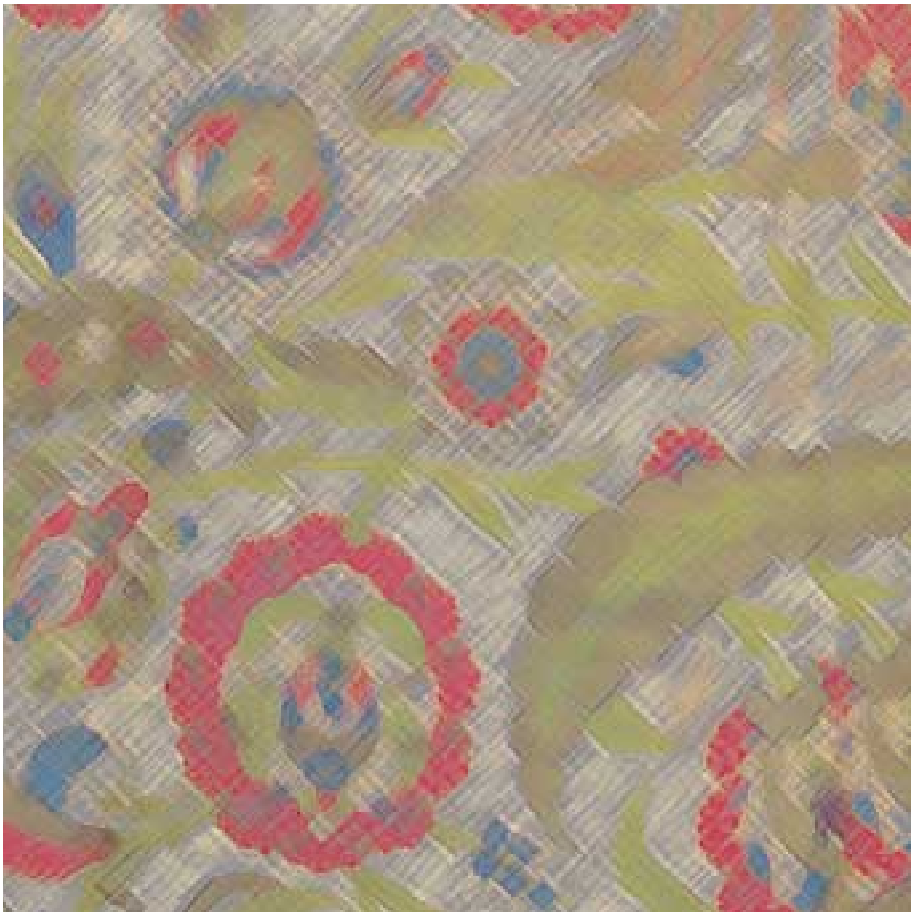
By the end of the year, Turkey's outstanding foreign debt rose by US$ 11.3 billion to US$ 114.3 billion. Medium- to long-term foreign debt grew by US$ 5.9 billion, while short-term debt was up US$ 5.4 billion. Unlike the previous years, the rise in medium- to long-term foreign debt is mainly due to public sector borrowings, facilitated by the favourable results of the stabilisation programme. Relying on market confidence, Treasury was able to issue bonds in the international capital markets, raising US$ 7.5 billion. Furthermore, Treasury could secure a syndication loan of US$ 1 billion in late December, to partly offset the short-term capital outflow.

Over the whole year, Central Government debt stock rose by US$ 3.7 billion. However, the composition of the debt stock changed, with short-term foreign debt rising by US$ 5.4 billion, and private sector medium- to long-term foreign debt declining by US$ 0.9 billion. Meanwhile, financial and non-financial private sector borrowing declined by US$ 895 million and US$ 44 million, respectively. The share of the banking sector in short-term debt reached 58% by the end of 2000 (amounting to US$ 16.9 billion) from 56% at the end of 1999.

The outstanding foreign debt was up by 11% in the year 2000, representing 57% of GNP, unchanged from 1999.

Following the financial crisis in November, Government strengthened the economic programme, speeding up the structural reform process. Developments in late 2000 emphasised the importance of structural reforms in the implementation of the stabilisation programme.

In the year 2001, domestic demand is expected to drop due to higher real interest rates, negatively affecting the growth of the GNP and of the volume of consumer loans while stimulating savings. The ensuing economic slowdown is likely to narrow the current account deficit and curb inflation.



Commercial Banking Division directed its activities to best meet the needs of its specific client base, while keeping a watchful eye on market developments. This allowed TEB to quickly and efficiently respond to the changing requirements of clients.

overview of activities in 2000

Corporate Banking

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

The Corporate Banking Division concentrates on larger scale companies with an annual turnover exceeding predetermined criteria, as well as conglomerates and multinational companies, often requiring complex and sophisticated financial instruments and services. TEB intends to strengthen its presence in the corporate banking segment. Eight branches, three of which opened in the year 2000, have been designated corporate banking branches. These off-high-street branches are fully equipped to handle the most complex corporate banking activities, and are manned accordingly.

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

Although a short time has elapsed since the separation of corporate and commercial banking activities at TEB, the number of active corporate clients reached 500 at the end of 2000, as a result of extensive marketing efforts.

Commercial Banking

Endeavours based on the economic stabilisation programme, to end the high inflation era, have been beneficial to those banks, which concentrate on core banking activities. Decreasing profit margins enhanced the quality of commercial banking activities, the growing star of the banking business.

In this highly competitive market, TEB positioned itself as an important player, following the completion of internal re-organisation in late 1999, pursuing an expansion strategy which has been implemented during 2000.

With the addition of five new branches in 2000, 43 branches now serve as commercial banking branches in various locations. All have the ability to attract small and medium scale firms (SMFs), which are financially strong and represent high growth potential. Increasing operating costs in the banking sector has forced TEB to deliver commercial banking services as well through its low-cost satellite branches. In 2000, four new commercial branches were opened, three of which were in Istanbul.

Commercial Banking Division directed its activities to best meet the needs of this specific client base, while keeping a watchful eye on market developments. This allowed TEB to quickly and efficiently respond to the changing requirements of clients. Many SMFs, which had previously no access to TEB's services, became part of the Bank's mutually beneficial client portfolio.

To enhance effectiveness, the Commercial Banking Division concentrated mainly on the synergy created by the suppliers-producers chain. Increasing the number of marketing and sales points through satellite branches has been another important novelty in 2000, which will be extended further in the coming years.

Structured Finance

The Structured Finance Division provides tailor-made advisory, corporate finance and international capital market services including the arrangement of syndicated loans, international capital market issues, project finance, commodity finance and structured trade finance transactions for TEB's corporate clients.

The Division expanded its commodity finance activities for the traditional agricultural export products of the country, and maintained its market leadership position, in particular, in tobacco finance. TEB offered about US$ 120 million in self-liquidating commodity finance credits to the marketplace where funding had been raised though syndicated loans and other facilities obtained from international creditors for whom the Bank acted as an agent.

The Division closely monitors international markets and public sector tenders, while informing clients of relevant opportunities, together with an advisory service for the tailor-made structuring of the business as well as financing methods. The Division, by using the Bank's well established distribution channels, arranges financing from international markets, which it channels to domestic users.

Cash Management Services

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

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

The number of clients making use of TEB's on-line cash management services through the TEB Access System reached 700 in the year 2000. TEB continued to develop and apply new client-oriented cash management services such as direct debit, check automation, electronic payment and automatic reconciliation systems for clients with large-scale receivables and payments. According to the Central Bank's settlement records, the Turkish banking system's check clearance

Structured Finance Division closely monitors international markets and public sector tenders, while informing clients of relevant opportunities, together with an advisory service for the tailor-made structuring of the business as well as financing methods.

volume increased by 77% in 2000, while the volume of cheques cleared by TEB rose by 150% in the same period. This volume has earned TEB a 3.3% market share, ranking it the 8th among private banks. This is a clear indication of the benefits which TEB's cash management services offer its clients.

TEB continued to organise the legal and utility payments of companies, which provide the Bank an important funding source in the form of call deposits. Through marketing activities, the branch offices achieved a substantial increase in the volume of utility collections reaching 175% and TL 678 trillion through off-line and/or on-line collection systems. This performance places TEB among the top ten banks in the sector.

Private Banking

TEB has been the pioneer in the private banking practice in Turkey, concentrating ever since on the needs and expectations of its most valued clients. Responding to the specific requirements of its clients, two of TEB's Istanbul branches have been dedicated to private banking activities. These branches focus on direct personalised contact, allowing the account officers to understand better the needs and expectations of the client, their risk-return profile, personal preferences, risk-taking attitude, and consequently, to tailor the products and services so as to meet the client's requirements.

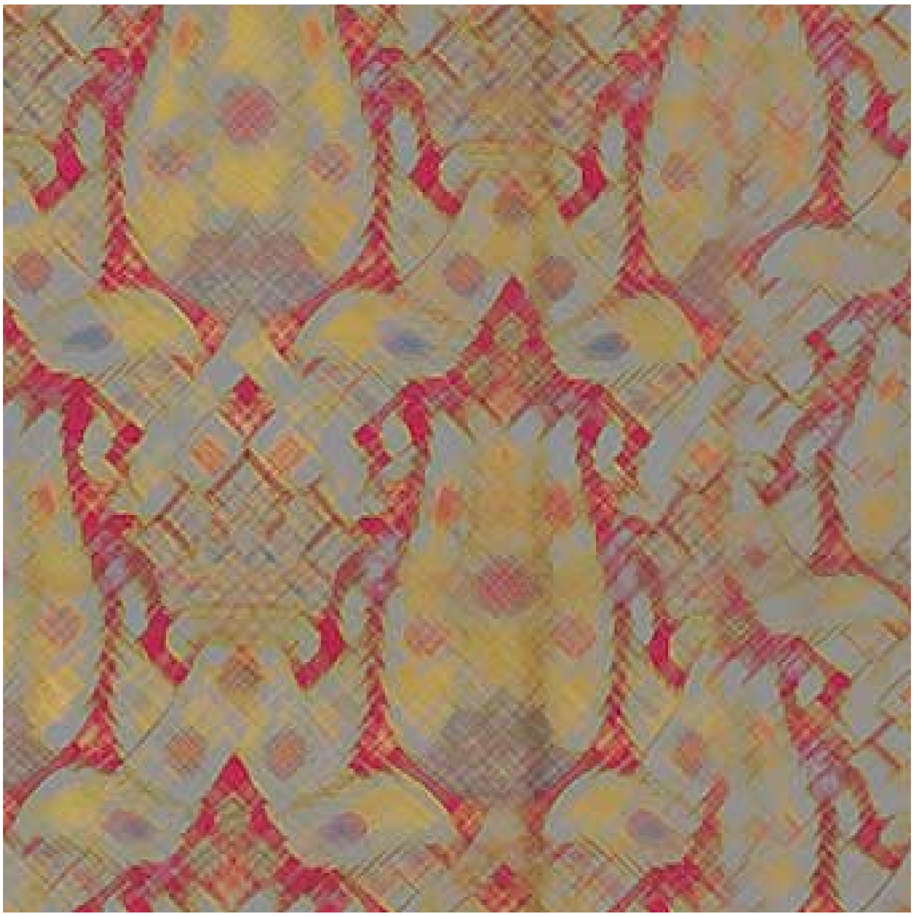
The target private banking clientele includes owners, shareholders, and top level managers of the companies covered within the corporate or commercial banking activities as well as their family members. Therefore, corporate and commercial banking activities constitute a significant source of actual and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

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

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

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

TEB focuses on maximising value through portfolio allocation principles, serving its clients' interests through a variety of



With "Telepati", TEB created a strong brand, based on the motto that "the solution is ready the moment you think of it". Telepati operates 24 hours a day, seven days a week through contemporary alternative distribution channels.

investment instruments that include Treasury Bills, Government Bonds and TEB's mutual funds in addition to Turkish lira and foreign currency deposit accounts. In collaboration with TEB Investment, the brokerage house subsidiary of the Bank, clients receive thorough information on recent stock market developments and stock trading services.

Following the launch of retail banking activities, the organisation at TEB was restructured. Some private banking branches were converted into retail/commercial branches while two branches in Istanbul; Etiler and Çiftehavuzlar, are designated as centres solely devoted to private banking services.

Retail Banking

TEB has a distinguished place in the Turkish banking industry with unmatched quality in corporate and private banking services. Capitalising on its well-deserved image in these areas, the Bank launched retail banking services in March 2000, based on a totally new brand and approach. TEB's concept of retail banking entails a wide array of investment banking instruments, insurance products, as well as non-financial services such as medical assistance, equipment and home maintenance and information support services, all delivered in addition to usual retail banking services. With "Telepati", TEB created a strong brand, based on the motto that "the solution is ready the moment you think of it". Telepati operates 24 hours a day, seven days a week through contemporary alternative distribution channels. The Telepati Call Centre prides itself to be the first in Turkey to be organised like a fully equipped branch office. In addition, clients can access to all Telepati services through the Internet Branch at www.tebtelepati.com and Telepati Interactive Voice Response System. All TEB branches are furnished with Telepati corners where marketing teams are involved in direct sales to clients through face to face contact. Telepati stands installed within corporate clients' premises also add to the visibility of the brand as well as to direct sales efforts.

By means of the Saving Evaluation System, one of the outstanding services of Telepati, TEB clients can invest their savings in their choice of TEB mutual funds or alternatively, they may choose to go through the Telepati Risk Profile Evaluation Survey to determine their risk-return profiles. The use of Telepati Credit Cards for the settlement of purchases allows the creditcardholder access to a variety of precious gifts, including TEB mutual funds. In addition, cardholders can use their bonus points which accrue with the use of TEB credit cards, to finance their annual vacations. Telepati members can receive monthly transaction information from the Telepati Financial Activity Report.

The emphasis laid on retail banking is embodied in the annual target set to achieve 20% of total credits and deposits through such activities, ahead of time within the first nine months of operation. The number of Telepati clients exceeded 100,000 in the same period while the number of incoming client calls to the Centre were in excess of 300,000.

Similarly, these efforts led to a rapid increase in outstanding TEB credit cards, which totalled 72,000, up 70% over the previous year. Of the total TEB credit cards, 80% are Telepati Credit Cards.

TEB Retail Banking Division continued to develop new products, extend the use of existing products and to raise product and service quality. Various card campaigns have been organised to reach out to potential clients.

The number of TEB debit cards, Electron, grew by 237% over the previous year. Total domestic spending through the use of TEB credit cards increased by 135% during the same period. The number of companies employing more than 10,000 people and receiving salary payment services from TEB exceeded 100. In addition to receiving their salaries through TEB, such employees benefit also from all Telepati services. With face-to-face marketing efforts directed at cross-selling by the Direct Marketing Team, the number of automatic payment orders increased by 120% in 2000. TEB had been active in the distribution of debit and credit cards since 1997 and started acquisition services in December 2000 with the installation of POS machines at contracted merchants as well.

In addition to the Telepati Call Centre and the Internet Branch, TEB has entered into agreement with several banks in order to provide access to their ATMs on a wide geographical range. A member of "Common Point", a group of banks sharing their ATMs, TEB credit cardholders may reach the Bank through 8,400 ATMs countrywide, while Electron cardholders have access to 3,240 ATMs.
Following the policy of offering the most appropriate interest rates available in the marketplace at any time together with flexible instalment terms, total consumer credits soared by a record 544% over the previous year. Pursuing a selective and prudent approach in lending decisions, the share of non-performing loans in total consumer credits is only 0.1%, which indeed, is rather low compared to banking industry averages.

Types of consumer credits have been diversified so as to make them attractive to an extended target clientele. Such credits include health care, education, and military service fee credits, in addition to general purpose credits. Car loans, however, are allocated only during sales campaigns with special prices.

International

Trade finance is, and has always been, one of the core business activities of TEB. In 2000, the Bank further increased its share in international trade financing providing its corporate clients with cash and non-cash facilities. Likewise, cooperation continued with nearly 1,000 correspondent banks in 92 countries worldwide.

2000 has been another successful year for TEB's international borrowing operations. Due to the high level of confidence TEB enjoys in the international banking community, the Bank was able to raise funds, twice during the year, for its trade finance activities, in international syndicated loan markets. Indeed both of these transactions were oversubscribed, and the Bank raised one-year term facilities totalling US$ 180 million through the syndication deals signed in June and September. The total amount raised was 76% above the volume borrowed in 1999, proof of the high level of trust enjoyed by TEB.

2000 has been another successful year for TEB's international borrowing operations. Due to the high level of confidence TEB enjoys in the international banking community, the Bank was able to raise funds, twice during the year, for its trade finance activities, in international syndicated loan markets.

TEB has been able to respond favourably to its export-oriented corporate clients' requirements by accessing to export credit programmes executed by various export credit insurance agencies, such as Hermes of Germany, Coface of France, ERG of Switzerland, SACE of Italy and GSM 102 under the CCC's Export Credit Guarantee Programme in the USA. In addition, sizeable lines received from overseas sources have been allocated to the financing of capital goods imports by such clients.

Treasury

In the year 2000, TEB focused, in particular, on maturity gap management, on the one hand, by increasing the duration on the liability side of its balance sheet and, on the other, by decreasing the duration on the asset side. As a result of this strategy, TEB enjoyed a strong position at times of liquidity squeeze, becoming a major player among its peers in money market operations.

Despite the turbulent market conditions, TEB has been successful in maintaining its strong place among other banks' treasuries relying on its experienced staff and fairly conservative risk perception. New risk management concepts coupled with enhanced coordination between the Treasury Division and the Internal Control Unit have strengthened the Bank's ability to successfully perform under the uncertain market conditions prevailing in the year 2000.

Selected as a "market-maker" by the Turkish Treasury, TEB's performance ranked it second in terms of T-Bills trading volume, which reached TL 55.7 quadrillion, representing a 6.41% market share.

TEB has continued to maintain its reputation of accurate, and competitive, pricing of fx and derivative instruments, both for domestic and international banks and corporate clients. In light of its globalisation policies, TEB continued to emphasise the importance of fostering good relations with foreign banks.

The Treasury Marketing Unit (TMU) has been able to raise its market share in global business and became the main treasury bank of multinational companies in Turkey, with its ability to provide structured and customised solutions to match the clients' specific requirements. The TMU has been strengthening its position by implementing client risk management services in order to analyse and monitor risks associated with domestic corporate clients' balance sheets.

In 2000, TEB has confirmed its position as market-maker in the trading of foreign banknotes by providing service to nearly 50 banks in 13 cities. Experience combined with quality service makes TEB a leader in the foreign banknotes business in Turkey.

Precious Metals

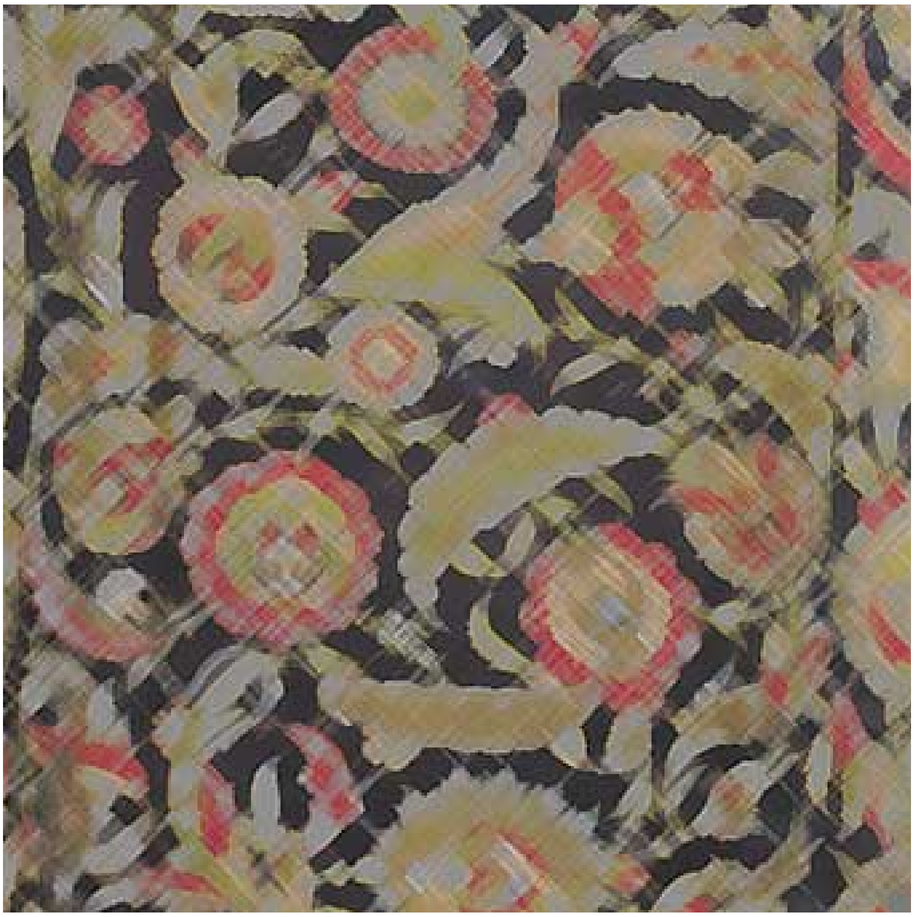
TEB has maintained its position among the top three market participants in gold bullion trading with 37% market share in 2000. Total trading volume on the Istanbul Gold Exchange amounted to 144.5 tons. TEB imported 75.5 tons of gold in the course of the year.

TEB Precious Metals, a subsidiary of the Bank, is the leader in silver trading with 117.2 tons, representing a 63% market share. Similarly, the Company imported 109.5 tons of silver in 2000 corresponding to a market share of 97%.

Mutual Funds

Asset management has always been an area where TEB places substantial importance. It has been a pioneer in introducing new products into the mutual fund business. Diversification of distribution channels and extending the client base have been the key elements in TEB's mutual funds strategy.

Since the launching of its first mutual fund in 1993, TEB has become one of the leading mutual fund management institutions in Turkey. The TEB Group currently offers a total of nine open-end mutual funds, of which seven are publicly traded and two are dedicated to institutional clients. The Bank is the founder of five funds and TEB Investment is the founder of the other four of these funds, while



TEB has been able to accelerate and standardise operations through the centralisation of international transactions, gaining a competitive edge in the marketplace.

Performances of TEB Mutual Funds

Type of Fund	2000 Price Appreciation (in % US$)	2000 Year-end Net Asset Value (US$ million)	1999 Price Appreciation (in % US$)	1999 Year-end Net Asset Value (US$ million)
Variable A	(21.7)%	36.7	75.0%	25.9
Variable B	17.8%	96.9	16.2%	37.9
Variable Composite A	(16.0)%	8.5	102.5%	3.9

their management has been subcontracted to TEB Asset Management.

In 2000, TEB continued to strengthen its position in this market segment in line with its growth strategy. Concurrently, TEB, based on the Bank's corporate image, built a strong brand and consequently diversified its distribution channels. The Telepati Call Centre is one of the new distribution channels through which TEB's mutual funds are presently being marketed. The client base is expected to widen considerably in the coming years through strategic partnership agreements and technology-based alternative distribution channels.

TEB has signed a cooperation agreement with Citibank in 1999 whereby its mutual funds are being marketed to Citibank clients.

Total assets in TEB mutual funds, which amounted to US$ 74.4 million as of December 31, 1999, reached US$ 145 million (including private funds) at the end of 2000. All TEB mutual funds have generated returns above the market level, despite highly volatile market conditions. In managing the mutual funds, TEB abides by principles purposefully designed to meet the expectations of both individual and institutional investors.

Although the funds are managed by the subsidiary company, TEB Asset Management, the Bank nevertheless tightly monitors the operations via a joint committee of executives from the Bank and TEB Investment. The joint committee oversees the performance and sets the basic investment criteria. The overriding principle in fund management is to generate above market-level returns, while maintaining a well-balanced portfolio of financial instruments, assuring absolute liquidity to the investor. Ability to provide efficient service and reliable information are also essential features of TEB mutual funds. Arthur Andersen is the independent auditor for all nine funds.

Operations

The Operations Division has four main functions, namely, Centralised Operations, Head Office Operations, Treasury Operations, and Branch Operations.

The Centralised Operations Department ("TEBOPS") was established in May 2000 to gather all branch credit, international and client operations under one roof and to enable transactions to be conducted by experienced and specialised staff.

The Bank has been able to accelerate and standardise operations through the centralisation of international transactions, gaining a competitive edge in the marketplace. Operational staff at the branch offices have been greatly supported by the new systems, which enable them to answer client inquiries promptly.

Nearly half of the operational workload presently relying on the branch offices will be moved to TEBOPS, thus turning the branch offices into marketing centres that focus primarily on sales.

The Head Office Operations Department operates through three units; Foreign Guarantees, Regulations, and Swift/Test Key. Issuance of foreign guarantees, upon the request of clients, and local letters of guarantee against counter-guarantee of correspondent banks are under the responsibility of the Foreign Guarantees Unit. Decrees, regulations, and by-laws issued by governmental bodies are communicated to branch offices and various Bank departments by the Regulations Unit. The Swift and Test Key Unit is responsible for the smooth handling of the Swift operations for both domestic and international banking transactions.

The Treasury Operations Department is responsible for the development of safe and faultless trading grounds as well as increasing operational efficiency using state-of-the-art trading software and equipment.

The Branch Operations Department operates as an extension of the branch offices in the Head Office by providing a functional link between the two sides. This enables the monitoring, auditing, analysis and reporting of all transactions at the branch level including the evaluation of individual staff performance in the branch offices.

The activities of the Treasury Operations Department includes the development of safe and faultless trading grounds, as well as increased operational efficiency using state-of-the-art trading software and equipment.

Information Technology

Having completed the operational applications of information technologies, TEB is now putting particular emphasis on Decision Support Systems (DSS). This is made possible by TEBIS, a banking software system that has been developed in stages between 1992 and 1998, now fully operational.

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

TEB uses a number of other programmes that enable servicing through alternative distribution channels. Preparation of programmes to enable servicing through Internet, WAP, SMS and IVR environments has been a major occupation of the IT Department during the year. Other IT work during the year focused on supporting the banking operations centralisation efforts, including document processing and recording.

Due to rapidly changing working conditions and new sales channels added to operations, banks have had to reassess their information processes and convert their decentralised IT structures into a more centralised framework. Following closely market trends and technological progress, TEB has initiated a project that aims at centralising its IT infrastructure. Consultancy services are being obtained from a well-reputed IT company in this field.

Throughout 2000, TEB continued to invest in information technology infrastructure. Wide area communication network (WAN) has been completely overhauled, adopting a more efficient and modern IP-only structure.

Human Resources

The number of personnel was reduced from 1,408 at the beginning of the year to 1,358 at the end of December 2000. This reduction was gradually implemented following the start of central operations at TEB and more precise personnel efficiency evaluations conducted thereafter. The employment turnover rate remained 9% which compares favourably with TEB's peers in 2000.

This past year has seen a number of new initiatives within TEB's human resources management. Major changes were made in performance evaluation, enumeration and rewarding systems, while career-based training programmes were launched to improve the career paths of the core banking personnel. These changes were implemented following the completion of the extensive human resources project, carried out last year under the consultancy of the Bank of America.

The first Management Trainee (MT) programme was organised this year to train TEB's future managers. Following a series of tests and interviews, 16 young people were chosen who were qualified as TEB's first MTs. Following the period of intense training, which lasted for three months, they were assigned to TEB's various departments.

The main themes of the training programmes in 2000 were retail banking, Telepati, information technology, centralised operations, marketing, sales and general orientation. In 2000, each employee spent an average of five days in training, covering a total of 203 different training programmes and totalling 35.7 hours of training per employee. Fifty-four percent of the training programmes were conducted by in-house trainers. Three conferences were organised in conjunction by the Bank and its subsidiaries in an effort to enhance synergy in marketing and sales.

subsidiaries

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

TEB N.V., a wholly owned subsidiary of TEB, became operational in Amsterdam, The Netherlands in November 1998 with the expectation that growing synergy will gradually emerge from the activities of the TEB Group of companies and TEB N.V.

The Bank offers foreign trade finance, corporate banking, private banking and correspondent banking services. The presence and availability of TEB financial services beyond national borders is yet another indication of TEB's aim to be the "Turkish Market Specialist" in the EU market.

TEB N.V. has a paid-up capital of EUR 21 million, and is 100% owned by TEB.

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

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

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

TEB Investment has a paid-up capital of TL 3,200 billion, of which 74.8% belongs to TEB.

TEB Leasing
(TEB Finansal Kiralama A.Ş.)

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

TEB Leasing has a paid-up capital of TL 5,900 billion, of which 68.5% belongs to TEB.

TEB Factoring
(TEB Factoring A.Ş.)

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

TEB Factoring has a paid-up capital of TL 3,200 billion, of which 65.8% belongs to TEB.

TEB Insurance
(TEB Sigorta A.Ş.)

TEB's non-life insurance subsidiary, TEB Insurance, provides risk cover to corporate clients ranging from fire to marine and from accident to engineering.

TEB Insurance is the first Turkish insurance company to be rated by an international rating agency. Fitch awarded A-(tur) rating to TEB Insurance in January 2001. This was a major event in the Turkish insurance industry.

TEB Insurance has a paid-up capital of TL 1,500 billion, of which 50% belongs to TEB.

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

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

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

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

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

TEB Asset Management has a paid-up capital of TL 610 billion, of which 56% belongs to TEB.

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

TEB Precious Metals is involved in the import and domestic trading of precious metals and is the leading company of silver trading on the IGE with a market share of 63% and 117.2 tons.

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2000 AND 1999 TOGETHER WITH AUDITORS' REPORT (*)

(*) The Audit Report as of December 31, 2000 is in accordance with IAS principles whereas the reports until December 31, 1999 were based on Capital Markets Board's principles. Also, only for this financial period, for comparison purposes, statutory financial statements which have been prepared in accordance with the Turkish Treasury requirements are also presented.

ARTHUR ANDERSEN

A.A. Aktif Analiz S.M.M.M. A.Ş.

To the Board of Directors of
Türk Ekonomi Bankası Anonim Şirketi:

1. We have audited the accompanying consolidated balance sheet of Türk Ekonomi Bankası Anonim Şirketi (the Bank-a Turkish corporation) and subsidiaries as of December 31, 2000 and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended, all expressed in the equivalent purchasing power of Turkish lira as of December 31, 2000. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The Economy Bank N.V., Petek International Holdings B.V. and TEB Sigorta A.Ş., which statements reflect total assets and net income constituting 24% and 55%, respectively, of the related consolidated totals as of December 31, 2000. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for these subsidiaries, is based solely upon the report of the other auditors.

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

3. In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in the first paragraph above present fairly, in all material respects, the consolidated financial position of Türk Ekonomi Bankası Anonim Şirketi and subsidiaries at December 31, 2000 and the consolidated results of their operations and cash flows for the year then ended in accordance with International Accounting Standards issued by the International Accounting Standards Committee.

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

Ayşen Topay

İstanbul,
January 29, 2001.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2000 AND 1999

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2000)

ASSETS	2000	1999
CASH AND CURRENT ACCOUNTS WITH BANKS (Note 4)	60,481	58,947
CALL AND TIME DEPOSITS WITH BANKS (Notes 4, 16 and 17)	339,964	379,355
INTERBANK FUNDS SOLD (Notes 4 and 17)	179,927	20,237
FACTORING RECEIVABLES, net	43,835	26,862
RESERVE DEPOSITS AT CENTRAL BANK (Note 5)	42,331	40,487
MARKETABLE SECURITIES (Notes 6 and 17)	81,210	80,480
MARKETABLE SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 6, 16 and 17)	21,911	161,341
FUNDS LENT UNDER SECURITIES RESALE AGREEMENTS (Notes 4 and 17)	24,009	10,945
LOANS, net (Notes 7, 16 and 17)	459,569	291,880
LEASE CONTRACTS RECEIVABLES, net (Notes 8, 16 and 17)	39,743	26,326
ACCRUED INTEREST INCOME AND OTHER ASSETS (Note 13)	41,169	31,394
EQUITY PARTICIPATIONS, net (Note 6)	1,525	2,276
PREMISES AND EQUIPMENT, net (Note 9)	20,209	15,855
Total assets	1,355,883	1,146,385

LIABILITIES AND SHAREHOLDERS' EQUITY	2000	1999
DEPOSITS (Notes 10, 16 and 17):		
Demand	69,481	71,111
Time	592,823	478,451
Total deposits	662,304	549,562
FUNDS BORROWED UNDER SECURITIES REPURCHASE AGREEMENTS (Notes 11 and 17)	40,512	143,025
FUNDS BORROWED FROM BANKS (Notes 11 and 17)		
Local banks	25,021	38,600
Foreign banks	413,111	240,783
PROMISSORY NOTES, net (Notes 12 and 17)	6,301	-
INTERBANK FUNDS BORROWED (Notes 11 and 17)	800	-
ACCRUED INTEREST EXPENSE AND OTHER LIABILITIES (Note 13)	71,074	61,317
TAXES PAYABLE:		
Taxes on income (Note 14)	3,159	17,487
Other taxes	3,681	3,478
Deferred income tax (Note 14)	9,964	5,275
Total liabilities	1,235,927	1,059,527
MINORITY INTEREST PAYABLE	6,957	7,385
SHAREHOLDERS' EQUITY:		
Share capital (Note 15)	69,602	45,435
Retained earnings (Note 18)	32,983	13,028
Current year net income	10,414	21,010
Total shareholders' equity	112,999	79,473
Total liabilities and shareholders' equity	1,355,883	1,146,385
CONTINGENCIES AND COMMITMENTS (Notes 16 and 20)		
Guarantees given	402,683	315,536
Forward commitments	1,468,243	1,354,924
	1,870,926	1,670,460

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2000)

	2000	1999
INTEREST INCOME:		
Interest on loans	68,095	61,459
Fees and commissions on loans	450	738
Interest on marketable securities, net	39,792	72,215
Interest on deposits with banks	90,758	61,910
Other interest income	29,110	20,287
	228,205	216,609
INTEREST EXPENSE:		
Interest on funds borrowed	(34,868)	(31,036)
Interest on local currency deposits	(18,617)	(28,593)
Interest on foreign currency deposits	(44,154)	(30,739)
Other interest expense	(940)	(1,630)
	(98,579)	(91,998)
Net interest income	129,626	124,611
PROVISION FOR POSSIBLE LOAN LOSSES (Note 7)	(2,959)	(471)
Net interest income after provision for possible loan losses	126,667	124,140
FOREIGN EXCHANGE LOSS, NET	(36,732)	(46,151)
OTHER OPERATING INCOME:		
Income from banking and other financial services	22,093	14,191
Marketable securities trading income, net	6,201	19,562
Other income	9,385	6,340
	37,679	40,093
OTHER OPERATING EXPENSES:		
Salaries and employee benefits (Note 13)	(34,453)	(31,614)
Administration and other expenses	(34,627)	(28,219)
Taxation other than on income	(14,275)	(4,276)
Depreciation and amortization (Note 9)	(5,007)	(3,248)
	(88,362)	(67,357)
Income before provision for income tax, minority interest and monetary loss	39,252	50,725
PROVISION FOR INCOME TAX (Note 14)	(13,300)	(17,013)
Income before minority interest and monetary loss	25,952	33,712
MINORITY INTEREST	(3,236)	(3,211)
Income before monetary loss	22,716	30,501
MONETARY LOSS	(12,302)	(9,491)
Net income	10,414	21,010
Earnings per share (in full TL)	100	478
Weighted average number of shares outstanding (in billions)	104.54	44.00

The accompanying notes are an integral part of these statements.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2000)

				Retained Earnings		
	Total	Share Capital (*)	Adjustment to Share Capital	Legal and General Reserves/ (Accumulated Deficit)	Foreign Currency Translation Adjustment	Current Year Net Income
Balances, December 31, 1998	48,963	12,500	23,435	(4,989)	-	18,017
Transfers to legal and general reserves	-	-	-	18,017	-	(18,017)
Share capital increase	9,500	9,500	-	-	-	-
Current year net income	21,010	-	-	-	-	21,010
Balances, December 31, 1999	79,473	22,000	23,435	13,028	-	21,010
Transfers to legal and general reserves	-	-	-	21,010	-	(21,010)
Share capital increase	24,167	33,125	(8,958)	-	-	-
Effect of change in the consolidation structure	(444)	-	-	(444)	-	-
Foreign currency translation adjustment (Note 3 (ii) (d))	(165)	-	-	-	(165)	-
Current year net income	10,414	-	-	-	-	10,414
Provision for general banking risks	(446)	-	-	(446)	-	-
Balances, December 31, 2000	112,999	55,125	14,477	33,148	(165)	10,414

(*) Share capital represents statutory historical paid-in capital.

The accompanying notes are an integral part of these statements.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999 (Notes 1, 2 and 3)

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2000)

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before provision for income tax, minority interest and monetary loss	39,252	50,725
Adjustments for:		
Monetary gain/loss, net	5,162	(21,360)
Depreciation and amortization	4,691	3,248
Provision for loan losses	2,959	471
Provision for retirement pay, net	575	991
Provision for decline in value of marketable securities	-	-
Net increase/(decrease) in other assets and liabilities	(591)	20,659
Operating profit before changes in operating assets and liabilities	52,048	54,734
Net increase/(decrease) in funds borrowed from banks	158,749	143,058
Net increase/(decrease) in discounted promisory notes	6,301	-
Net (increase)/decrease in loans	(167,689)	(107,656)
Net increase/(decrease) in deposits	112,742	204,716
Net (increase)/decrease in interbank funds sold	(159,690)	(9,427)
Net (increase)/decrease in call and time deposits with banks	39,391	(203,373)
Net (increase)/decrease in reserve deposits at Central Bank	(1,844)	(2,459)
Net (increase)/decrease in lease receivables	(13,417)	8,349
Net (increase) in factoring receivables	(16,973)	(14,354)
Net (increase)/decrease in marketable securities sold under repurchase agreements	139,430	(97,963)
Net (increase)/decrease in funds lent under reverse repurchase agreements	(13,064)	(10,356)
Net increase/(decrease) in funds borrowed under securities repurchase agreements	(102,513)	76,391
Income taxes paid	(28,271)	16,598
Provision for general banking risks	(446)	-
Net cash provided by/(used in) operating activities	(47,294)	3,524
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase)/decrease in government bonds funding legal reserves	-	4,647
Proceeds from sale of non-dealing securities	137,124	217,008
Purchase of non-dealing securities	(155,791)	(223,768)
Purchases of premises and equipment	(10,554)	(9,999)
Disposals of premises and equipment	1,527	4,221
Purchase of shares of equity participations	751	(790)
Net cash (used in) investing activities	(26,943)	(8,681)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in commercial paper issued	-	807
Redemption of commercial paper issued	-	(59,122)
Dividends paid	-	-
Share capital cash increase	24,167	-
Effects of consolidation	(444)	-
Net cash provided by/(used in) financing activities	23,723	(58,315)
NET INCREASE/(DECREASE) IN CASH AND DUE FROM BANKS	1,534	(8,738)
CASH AND DUE FROM BANKS AT BEGINNING OF THE YEAR	58,947	67,685
CASH AND DUE FROM BANKS AT END OF THE YEAR	60,481	58,947

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

a) The cash paid by the Bank for interest and income taxes and the cash received as interest during the years ended December 31, 2000 and 1999 were as follows:

	2000	1999
Interest paid	86,058	68,993
Interest received	205,741	190,223

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

	2000	1999
Cash and cash equivalents as previously reported	44,421	41,535
Effect of restatement	14,526	26,150
Cash and cash equivalents as restated	58,947	67,685

The accompanying notes are an integral part of these statements.

(Currency - Billions of Turkish lira in equivalent purchasing power at
December 31, 2000 unless otherwise indicated)

(1) COMPANY'S ACTIVITIES:

Türk Ekonomi Bankası A.Ş. (the Bank) is incorporated in Turkey and its head offices are located at Meclis-i Mebusan Caddesi, No: 35, Fındıklı-İstanbul/Turkey.

The Bank was originally incorporated in 1927 and in 1982 was acquired by the Çolakoğlu Group and renamed as Türk Ekonomi Bankası A.Ş. The Bank remains under the control of the Çolakoğlu Group and is a bank with 54 branches (1999 - 46 branches) and 1,339 employees (1999 - 1,408 employees) (excluding the subsidiaries) as of December 31, 2000.

The subsidiaries of the Bank and the direct and effective shareholding percentages of the Bank in them at December 31, 2000 and 1999 were as follows:

	2000		1999	
Investee	Direct Share-holding (%)	Effective Share-holding (%)	Direct Share-holding (%)	Effective Share-holding (%)
The Economy Bank N.V.	100.0	100.0	100.0	100.0
TEB Yatırım Menkul Değerler A.Ş.	74.8	91.8	74.8	87.0
TEB Finansal Kiralama A.Ş.	68.5	72.3	51.0	53.0
TEB Factoring A.Ş.	65.8	70.8	45.0	49.0
TEB Sigorta A.Ş.	50.0	50.0	50.0	50.0
Petek International Holdings B.V.	100.0	100.0	100.0	100.0
TEB Funding Corporation I	-	-	100.0	100.0
TEB Funding Corporation II	-	-	100.0	100.0

As of December 31, 2000 and 1999, the financial statements of the following subsidiaries have been consolidated:

TEB Finansal Kiralama A.Ş. (TEB Leasing)
TEB Yatırım Menkul Değerler A.Ş. (TEB Menkul)
TEB Factoring A.Ş. (TEB Factoring)
The Economy Bank N.V. (Economy Bank)
Petek International Holdings B.V. (Petek International)

As of December 31, 2000 the financial statements of TEB Sigorta A.Ş. (TEB Sigorta), on which the Bank has a controlling power, but was not consolidated as of December 31, 1999, on the basis that its results were not significant, was consolidated. The effect of consolidating TEB Sigorta A.Ş. as of and for the year ended December 31, 2000 has been to increase total assets by TL16,437, decrease general reserves by TL444 and increase net income by TL202.

As of December 31, 2000 the financial statements of TEB Funding Corporation I and TEB Funding Corporation II (TEB Funding I and II), which were consolidated as of December 31, 1999, were not consolidated as the operations of these entities have been ceased and are being liquidated.

The principal activities of the consolidated subsidiaries are as follows:

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

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

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

TEB Sigorta - Rendering all types of property and casualty insurance services (incorporated in Turkey).

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

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

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

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

The composition of the Bank's operations by consolidated companies at December 31, 2000 and 1999 are as follows:

	Bank	TEB Menkul	TEB Leasing	TEB Factoring	TEB Funding I-II	Economy Bank	Petek International	TEB Sigorta	Eliminations	Consolidated Total
December 31, 2000										
Total assets	931,746	31,876	48,814	76,589	-	293,524	1,354	16,437	(44,457)	1,355,883
Net interest income/net revenues	87,733	5,465	13,897	16,323	-	5,570	-	2,895	(2,257)	129,626
Net income/(loss)	2,190	3,002	2,898	2,517	-	4,697	916	405	(6,211)	10,414
December 31, 1999										
Total assets	845,519	30,258	58,505	55,320	494	191,247	3,450	-	(38,408)	1,146,385
Net interest income/net revenues	90,236	(325)	20,024	11,962	321	4,408	-	-	(2,015)	124,611
Net income/(loss)	14,614	2,391	4,987	1,218	123	950	3,122	-	(6,395)	21,010

(2) BASIS OF PRESENTATION OF FINANCIAL STATEMENTS:

The Bank and its consolidated subsidiaries (except for TEB Funding I and II, Economy Bank and Petek International which maintain their books of account and prepare their financial statements in accordance with the statutory requirements in their respective countries of incorporation) maintain their books of account and prepare their statutory financial statements in Turkish lira in accordance with the Turkish Commercial Code, Banking Law, Capital Market Board and tax regulations. The accompanying consolidated financial statements (the IAS financial statements) are based on the statutory records, which are maintained under the historical cost convention, with adjustments and certain reclassifications and restatement for the changes in the general purchasing power of Turkish lira for the purpose of fair presentation in accordance with International Accounting Standards (IAS) issued by the International Accounting Standards Committee. The Bank and its consolidated subsidiaries adopted all standards, which were mandatory as of December 31, 2000. No standards are adopted before their effective date.

The Bank's IAS financial statements are authorized for issue by the top management of the Bank on January 29, 2001.

The adjustments, which have been made to conform the statutory financial statements to IAS relate mainly to deferred taxation, employee termination benefits, valuation of securities and restatement to equivalent purchasing power of Turkish lira. The effects of the differences between IAS and the generally accepted accounting principles in the United States or other countries other than Turkey, in which the IAS financial statements may be used, have not been quantified herein.

The restatement for the changes in the general purchasing power of the Turkish lira as of December 31, 2000 is based on IAS 29, which requires that financial statements prepared in the currency of a highly inflationary economy should be stated in terms of the measuring unit current at the balance sheet date and corresponding figures for previous periods should be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%.

Dates	Inflation Rates (%) (*)	Devaluation Rates (%) (**)
December 31, 1998	54.36	52.73
December 31, 1999	62.92	72.71
December 31, 2000	32.70	24.38

(*) Based on the wholesale price indices announced by the State Institute of Statistics.
(**) Based on the rate of exchange of U.S. dollar announced by the Central Bank of Turkey.

The restatement was calculated by means of conversion factors derived from the countrywide wholesale price index published by the State Institute of Statistics. Such indices during the current and prior years are as follows:

Dates	Index
December 31, 1998	1,215.0
December 31, 1999	1,979.5
December 31, 2000	2,626.0

The main guidelines for the above mentioned restatement are as follows:

- The financial statements of prior year, including monetary assets and liabilities reported therein, which were previously reported in terms of the measuring unit current at December 31, 1999 are restated in their entirety to the measuring unit current at December 31, 2000.

- Monetary assets and liabilities reported in the consolidated balance sheet as of December 31, 2000 are not restated because they are already expressed in terms of the monetary unit current at that balance sheet date.

- The inflation adjusted share capital amount has been derived by indexing each capital increase other than bonus shares from the date it was contributed (see Note 15).

- Non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and other components of shareholders' equity (except for the revaluation surplus which is eliminated) are restated by applying the relevant conversion factors.

- Interest income and expense and foreign exchange gains and losses are not restated within the accounting year in which they arise. All other items in the statements of income are restated by applying the relevant conversion factors.

- The effect of general inflation on the net monetary position is included in the statements of income as a net monetary gain or loss.

Certain reclassifications have been made to the December 31, 1999 financial statements to present them on a comparative basis with the current year financial statements. Such reclassifications relate mainly to presentation of the structured transaction which the Bank has a right to set off the recognized amounts and intends to do so on a net basis in accordance with IAS 32. The effect of this has been to reduce total assets and liabilities by TL166,455 and income and expense by TL5,461 in December 31, 1999 financial statements.

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

(i) Principles of Consolidation:

The Bank consolidates the financial statements of all material subsidiaries in which it has control. The principles of consolidation followed in the preparation of the accompanying consolidated financial statements are as follows:

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

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

(c) The minority shareholders' share in the net assets and results for the years ended December 31, 2000 and 1999, have been presented as minority interest payable and minority interest in the accompanying consolidated balance sheets and statements of income, respectively,

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

(ii) Summary of Significant Accounting Policies:

(a) Income and Expense Recognition:

Interest is recorded on an accrual basis. Commission income and fees for various banking services (such as granting letters of guarantees, letters of credit and money transfers) are recorded as income at the date the related service is performed. Commissions of factoring transactions are recorded on the accrual basis.

(b) Reserve for Possible Loan Losses:

Based upon its evaluation of credits granted, management estimates the total allowance that it believes is adequate to cover uncollectable amounts in the Bank's loan portfolio and losses under guarantees and commitments. The reserve for possible loan losses is based on estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the statement of income in the periods in which they become known. The Bank classifies as "loans in arrears" any loan for which payment of either loan principal or interest is not received within a month following the due date. The Bank ceases to recognize income on such loans after transfer to loans in arrears accounts. The reserve is also reviewed for compliance with the Tax Procedural Law and Government Decrees and Communiques with respect to classification of loans and minimum reserve requirements. The Bank provides a full reserve for "loans in arrears". Uncollectable loans are written off after finalization of legal procedures.

The Bank also makes a provision of general loan losses approximately 0.3% to 0.5% of all outstanding loans net of specific provisions made. The estimate of percentage of general loan loss provision is reviewed periodically and updated based on the Bank's historical experience factor.

Provision for general banking risks provided by the Bank's subsidiary Economy Bank is included under legal and general reserves in the accompanying financial statements.

(c) Premises and Equipment and Related Depreciation and Amortization:

Premises and equipment are carried at restated cost less accumulated depreciation in equivalent purchasing power at December 31, 2000. When assets are sold or retired, their restated cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The initial cost of premises and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the assets to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to income in the period in the costs are incurred. Expenditures incurred that have resulted in an increase in the future economic benefits expected from the use of premises are capitalized as an additional cost.

Depreciation and amortization are provided on the restated amounts of premises and equipment using the straight-line method. The annual rates used, which approximate rates based on the estimated economic lives of the related assets, are as follows:

Buildings	2%
Motor vehicles	20%
Furniture, fixtures and office equipment	20%
Leasehold improvements	lease period

(d) Foreign Currency Transactions and Translation of the Financial Statements of Foreign Entities:

Gains or losses arising from foreign currency transactions are reflected in the statement of income as they are realized during the accounting year. Foreign currency assets and liabilities at each year-end are translated into Turkish lira at the year-end foreign currency exchange rates. The resulting foreign exchange gains or losses are recorded in the statement of income for the year-end. Such gains and losses are reflected as foreign exchange loss, net in the accompanying financial statements. The foreign exchange loss in the accompanying financial statements mainly represents cost of funding.

The assets and liabilities of the foreign entities as of the related year-ends were translated into TL by applying the exchange rates prevailing at respective dates. The income statement items were translated to TL by using the twelve months average rate of exchange. The impact of the difference between inflation and the rate of devaluation of the Turkish lira versus foreign currencies on the retained earnings of foreign entities is reflected as foreign currency translation adjustment in the accompanying statement of shareholders' equity.

(e) Accounting for Leases:

Finance Lease - As Lessor:

TEB Leasing's financial leases consist of full-payout leases of industrial machinery, office equipment, and various equipment and transport vehicles. The excess of aggregate lease rentals plus the estimated residual value over the cost of the leased asset constitutes the unearned lease income to be recognized as income over the term of the lease and is recorded so as to produce a constant periodic rate of return on the net cash investment remaining in each lease.

TEB Leasing's management estimates that a 1.5% lump sum allowance over net investments in direct financing leases to third parties (excluding related parties) is adequate to cover future, potential or unforeseen uncollectable amounts in rentals receivable and in the net investment in direct financing leases. These estimates are reviewed periodically and as adjustments become necessary, they are reported in the statement of income for the periods, as they become known. Furthermore, specific provision is provided to cover uncollectable amounts in rental receivables and in the net investment in direct financing leases of customers facing financial difficulties.

TEB Leasing has obtained investment incentive certificates from the Undersecretariat of the Treasury for its various investments in direct financing leases. Such incentives include exemptions from custom duties on machinery and equipment to be imported and investment allowances at 100% on the approved capital expenditures.

Investment allowances take the form of a deduction from statutory taxable profits for purposes of corporation tax calculations.

In the accompanying financial statements tax benefits relating to such allowances are recognized to the extent of the taxable temporary differences, that give rise to deferred tax liabilities.

Operating Lease - As Lessee:

Leases of assets, mainly premises, under which all the risks and rewards of ownership are effectively retained by the lessors are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease terms.

(f) Equity Participations and Marketable Securities:

For marketable securities portfolio, designation as "held to maturity" security rather than as "available for sale" security is based on the intent to hold the security for the long-term. Gains or losses on the disposal of "held to maturity" securities are recognized using a specific identification basis:

i) Equity Participations:

The equity participations are carried at restated cost in the equivalent purchasing power of Turkish lira at December 31, 2000, net of reserve for impairment in value.

ii) Securities "Available for Sale":

Gold and share certificates and investment fund participation certificates are recorded at cost and stated at market values. Gains and losses on disposal are included in marketable securities trading income (net).

Debt securities classified as "available for sale" are stated at market values, with resulting gain/(loss) recognized in the statements of income.

iii) Securities "Held to Maturity":

Foreign currency denominated debt securities are stated at cost and translated at the foreign currency year-end rate of exchange. Discounted securities are adjusted for accretion of discount.

Turkish lira denominated debt securities are stated at cost and adjusted for accretion of discount (December 31, 1999 - at cost, as adjusted for the effect of permanent decline in value resulting from additional withholding taxes, introduced with the new tax law enacted on November 26, 1999 on interest income on these marketable securities that will be paid at maturity).

Foreign and local investment fund participation certificates are stated at market values.

Reserve for impairment in value is provided for held to maturity portfolio if there is permanent diminution in value.

(g) Deferred Taxation:

Deferred tax liabilities and assets are recognized for the tax effects attributable to differences between the tax and financial reporting bases of assets and liabilities (i.e. future deductible or taxable temporary differences) and carry forwards, using the currently enacted tax rates and the balance sheet liability method. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realized. In accordance with revised IAS 12, deferred taxation is provided on the temporary differences, which arise on the restatement of non-monetary assets through the application of IAS 29.

Deferred tax liabilities have not been provided on undistributed earnings of subsidiaries since the management does not have an intention at present to distribute the earnings of those entities.

(h) Trust Assets:

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

(i) Sale and Repurchase Agreements:

Securities sold under sale and repurchase agreements ("repos") are accounted for as a financing transaction and related assets are reflected as marketable securities sold under repurchase agreements at their carrying values with corresponding counterparty liability reflected as funds borrowed under securities repurchase agreements. Funds purchased under agreements to resell ("reverse repos") are reflected as funds lent under securities resale agreements. The difference between sale and repurchase price in repo transactions or purchase and resale price in reverse repo transactions is accrued evenly over the life of the transaction. The Bank treats repo transactions as trading transactions and records gains and losses on these transactions as trading gain/loss net. Such transactions are short-term and mainly involve government debt securities.

(j) Retirement Pay:

In accordance with existing social legislation, the Bank and its consolidated subsidiaries incorporated in Turkey are required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the accompanying financial statements as of December 31, 2000 and 1999, the Bank and its consolidated subsidiaries have reflected a liability calculated using the Projected Unit Credit Method and discounted by using the current market yield at the balance sheet date on government bonds, in accordance with IAS 19-revised (Employee benefits) which became operative for financial years starting on or after January 1, 1999.

The principal actuarial assumptions used at December 31, 2000 and 1999 are as follows:

	%
Discount rate	33
Expected rate of salary/limit increases	25

The above rate for salary/limit increases was determined based on the Government's future targets for yearly inflation.

Actuarial gains and losses are recognized in the income statement in the period they occur.

The computation of the liability is predicated upon the retirement pay ceiling announced by the Government. As of December 31, 2000 and 1999 the ceiling amounts are TL578 million and TL345 million, respectively. The liability is not funded, as there is no funding requirement.

Effective January 1, 2001, the retirement pay ceiling has been increased to TL615 million.

(k) Financial Instruments:

Financial assets and financial liabilities carried on the balance sheet include cash, current, call and time deposit accounts with banks, marketable securities, loans and other factoring and lease contracts receivable, deposits and funds borrowed and other payables. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Bank has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives:

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

Such contracts are entered into mainly to mitigate exposure to foreign currency risk. Market rates with respect to derivative transactions are not publicly available in Turkey and accordingly discounts or premiums computed as the difference between the contract rate as discounted as of the related cut off date and the actual spot rate is recorded as gain or loss at related period end.

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

(l) Fair Value of Financial Instruments:

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The Bank using available market information, management's judgement and appropriate valuation methodologies has determined the estimated fair values of financial instruments.

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of IAS 32. To the extent relevant and reliable information is available from the financial markets in Turkey, the fair value of the financial instruments of the Bank is based on such market data. The fair values of the remaining financial instruments of the Bank can only be estimated. The estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a market exchange.

The following methods and assumptions were used to estimate the fair values of the Bank's financial instruments.

Financial Assets

Monetary assets for which fair value approximates carrying value:

For cash and deposits with banks and the Central Bank and interbank funds sold, fair value is estimated to approximate carrying value due to their short-term nature.

Balances denominated in foreign currencies are translated at year-end exchange rates.

For marketable securities for which market prices are available, fair value equals total value computed using such market prices (See Note 6). For the remaining marketable securities, fair value is estimated to approximate carrying values.

The fair value of equity participations, which are not listed at the stock exchange, is estimated to approximate the carrying value net of any reserve for impairment.

The carrying values of loans, lease and factoring receivables, net of provisions are estimated to approximate their fair values.

Financial Liabilities

Monetary liabilities for which fair value approximates carrying value:

The fair values of customer deposits, funds borrowed and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

The fair values of medium and long-term funds borrowed which include mainly floating rate borrowings, are considered to approximate their principal amounts plus accrued interest (Note 11).

(m) Earnings per Share:

Earnings per share ("EPS") disclosed in the accompanying consolidated statements of income are determined by dividing net income by the weighted average number of shares that have been outstanding during the related year.

In Turkey, companies can increase their share capital by making a pro rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Bank, are regarded similarly. Accordingly, the weighted average number of shares used in the EPS computations is derived by giving retroactive effect to the issue of the following shares without consideration through December 31, 2000.

	Number of Shares (in millions) Issued Attributable to			
	Transfers from Retained Earnings	Transfers from Revaluation Surplus	Reinvestment of Dividend Payments	Total
1995 and before	32	247	2,969	3,248
1996	-	330	1,270	1,600
1997	1,022	596	4,382	6,000
1998	529	682	7,277	8,488
1999	600	2,062	16,338	19,000
2000	-	-	26,068	26,068
	2,183	3,917	58,304	64,404

(n) Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand and current accounts with banks.

(4) CASH AND CURRENT ACCOUNTS AND CALL AND TIME DEPOSITS WITH BANKS, INTERBANK FUNDS SOLD AND FUNDS LENT UNDER SECURITIES RESALE AGREEMENTS:

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

	2000	1999
Foreign currency cash, current, call and time deposit accounts with banks (excluding Central Bank):		
- Overnight placements	35,210	4,516
- Time deposits (*)	247,682	234,001
- Others	56,049	53,840
Call accounts (2 day) at the Central Bank - foreign currency	2,135	58,355
Total foreign currency	341,076	350,712
Turkish lira cash, current, call and time deposit accounts with banks (excluding Central Bank)		
- Overnight placements	1,440	1,996
- Time deposits	53,497	80,487
- Others	3,326	3,735
Cash at the Central Bank - Turkish lira	1,106	1,372
Total Turkish lira	59,369	87,590
Total	400,445	438,302

	2000	1999
Foreign currency placements:		
Maturity range	January 2, 2001 - January 5, 2001	January 3, 2000 - December 13, 2000
Interest rate range	4.35% - 35%	2% - 15%
Turkish lira placements:		
Maturity range	January 2, 2001 June 20, 2001	January 3, 2000 July 31, 2000
Interest rate range	30% - 100%	46% - 105%

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

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

Interbank funds sold represent placements at the interbank money market governed by the Central Bank and are as follows:

	2000	1999
Amount (TL)	40,200	20,237
Maturity range	January 2, 2001	January 3, 2000 - March 13, 2000
Interest rate range	100% - 200%	53.00% - 69.75%
Amount (Foreign currency)	139,727	-
Maturity range	January 3, 2001 - January 23, 2001	-
Interest rate range	19% - 50%	-

Funds lent under securities resale agreements represent funds lent under contractual agreements to sell back at a predetermined sale price at the maturity date. As of December 31, 2000 and 1999, value at maturity of securities purchased under agreements to resell was TL24,426 and TL12,405, respectively.

(5) RESERVE DEPOSITS AT CENTRAL BANK:

Reserve deposits	2000	1999
- TL	2,186	1,140
- Foreign currency	40,145	39,347
	42,331	40,487

According to the regulations of the Central Bank, banks are obliged to reserve a certain portion of their deposits other than interbank deposits. Such reserves are deposited with the Central Bank. As of December 31, 2000 and 1999 reserve deposit rates applicable for foreign currency and Turkish lira deposits are 11% and 6%, respectively.

(6) INVESTMENTS:

Investments comprise equity participations and marketable securities.

Equity Participations

The details of the equity participations at December 31, 2000 and 1999 are as follows:

	2000		1999	
Investee	Amount	% (*)	Amount	% (*)
TEB Sigorta	-	-	1,165	50.0
TEB Portföy Yönetimi A.Ş.	1,042	56.0	556	100.0
Varlık Yatırım Ortaklığı A.Ş.	509	24.4	458	24.4
TEB Kıymetli Madenler A.Ş.	138	40.0	85	100.0
Factors Consolidated Holding	166	-	-	-
Others	12	-	12	-
Reserve for impairment value	(342)		-	
Total	1,525		2,276	

(*) Represent direct shareholding of the Bank.

Except for TEB Portföy Yönetimi A.Ş., which is reflected at equity method, based on the audited IAS financial statements, as of December 31, 2000, equity participations are stated at cost net of reserve for impairment in value.

Marketable Securities

The details of the marketable securities at December 31, 2000 and 1999 are as follows:

	2000	1999
"Available for sale"		
Government bonds and treasury bills issued by the Turkish Government	1,000	1,101
Gold	93	102
Share certificates	4	76
Investment funds participation certificates	29	-
Eurobonds	2,612	-
"Held to maturity"		
- Turkish lira		
Treasury bills issued by the Turkish Government	6,143	215
Government bonds issued by the Turkish Government	71,235	66,686
Investment funds participation certificates	-	2,581
- Foreign currency (*)		
Foreign currency bonds issued by the Turkish Government	94	72
Foreign currency bonds	-	3,601
Eurobonds issued by the Turkish Government	-	5,498
Investment funds participation certificates	-	475
Other	-	73
Total	81,210	80,480
Marketable securities sold under repurchase agreements (Turkish lira)	21,911	161,341

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

The carrying values of the marketable securities held as "available for sale" and marketable securities sold under repurchase agreements equal their market values at respective year-ends.

The carrying values of the marketable securities which are "held to maturity" (other than Turkish lira denominated government bonds and treasury bills which are adjusted to market values in 1999 to provide for the effect of permanent decline in value as explained in

Note 3 (ii) (f) above differ from market values.

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

The following table summarizes such differences.

	2000			1999		
	Carrying Value (*)	Central Bank Reserve Values (*****)	Market Value (Approximate) (***)	Carrying Value (*)	Central Bank Reserve Values (*****)	Market Value (Approximate) (***)
Treasury bills and government bonds issued by the Turkish Government	79,401	72,865	72,494	67,324	67,092	67,324
Eurobonds issued by the Turkish Government	-	-	-	4,450	(**)	4,321
Foreign currency bonds	-	-	-	3,690	(**)	(****)
Foreign currency bonds issued by the Turkish Government	94	94	94	72	72	72
Foreign currency denominated share certificates	-	-	-	-	(**)	-

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

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

	2000		1999	
	Nominal	Carrying Value	Nominal	Carrying Value
(foreign currency in millions)				
Deposited against activities in the ISE	-	-	-	-
- Government bonds	300	265	1,015	886
Deposited at Central Bank (government bonds and treasury bills)				
- Interbank transactions	37,500	37,325	29,194	40,999
- Repurchase transactions	-	-	-	-
- Foreign currency money market transactions	-	-	-	-
- TL equivalent			9,289	13,044
- Reserve requirements	600	553	-	-

(7) LOANS:

Loans comprise the following:

	2000	1999
Short-term loans	357,140	259,909
Medium-term loans	104,306	32,732
Loans in arrears	2,003	762
	463,449	293,403
Less: Reserve for loans in arrears	(2,003)	(762)
Less: Reserve for possible loan losses	(1,877)	(761)
Loans, net	459,569	291,880

As of December 31, 2000 and 1999, foreign currency loans amount to TL358,586 and TL211,217, respectively.

Loans by industry groups excluding loans in arrears and restructured loans are as follows at December 31, 2000 and 1999:

	2000	1999
Metals	66,021	22,229
Credit institutions and discounted bills	55,753	63,916
Electricity and optic devices	51,693	30,713
Other textiles	45,811	21,495
Consumer loans	37,970	10,179
Ready-to-wear textiles	36,240	20,920
Chemicals and chemical products	29,263	15,402
Food, beverage, tobacco	25,323	23,907
Wood products	24,121	4,550
Wholesale, retailing	19,290	20,197
Construction	9,958	3,385
Tourism, transportation, warehousing	9,041	4,384
Machinery	8,271	-
Mining, other than metals	6,996	3,205
Leather and leather products	5,296	2,454
Fiber, plastic	4,700	6,603
Transportation	3,441	5,800
Fuel products	454	2,793
Others	20,713	30,509
	460,355	292,641

Average annual interest rate on TL and foreign currency loans are 42.5% (1999 - 84%) and 11.5% (1999 - 15%), respectively.

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

	2000	1999
Balance, at beginning of the year	1,523	1,871
Provision for loans in arrears	1,621	394
Provision for possible loan losses	1,553	787
Recoveries related to items for which reserve was provided in prior years	(215)	(710)
Monetary gain	(602)	(819)
Balance, at end of the year	3,880	1,523

(8) LEASE CONTRACTS RECEIVABLE:

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

Years	2000	1999
2000	-	22,855
2001	31,974	7,095
2002	10,968	2,769
2003	5,793	1,842
2004	1,312	1,269
2005	117	125
	50,164	35,955
Reserve for possible lease receivable losses	(609)	(386)
Gross lease receivables	49,555	35,569
Less: Unearned interest income	(9,812)	(9,243)
	39,743	26,326

As of December 31, 2000 and 1999 foreign currency denominated gross lease contracts receivable amount to TL29,844 and TL23,918.

(9) PREMISES AND EQUIPMENT:

Premises and equipment comprise:

	2000	1999
Cost, as restated:		
Buildings	4,721	4,043
Motor vehicles, furniture, fixtures and office equipment and leasehold improvements	37,530	28,919
	42,251	32,962
Less-Accumulated depreciation and amortization, as restated	(22,042)	(17,107)
Net book value, as restated	20,209	15,855

(10) DEPOSITS:

An analysis of deposits is as follows:

DEMAND	2000	1999
Local currency deposits -		
Commercial and savings deposits	16,345	25,034
Bank deposits	1,013	8
Foreign currency deposits -		
Commercial and savings deposits	51,732	39,793
Bank deposits	272	5,435
Gold deposits	119	841
	69,481	71,111
TIME		
Local currency deposits -		
Commercial and savings deposits	17,817	10,071
Bank deposits	43,100	6,124
Foreign currency deposits -		
Commercial and savings deposits	525,555	436,536
Bank deposits	1,029	18,683
Gold deposits	5,322	7,037
	592,823	478,451

The Bank mainly collects deposits from local companies and local individuals.

(11) FUNDS BORROWED:

Funds Borrowed from Banks:

The details of funds borrowed from banks are as follows:

	2000	1999
State owned banks	14,068	11,487
Other local banks	10,953	27,113
Funds borrowed from local banks	25,021	38,600
Borrowings from foreign banks (foreign currency in thousands)		
Short-term - TL (in billions)	7,400	11,716
Short term - US$	355,258	156,343
Short term - DM	41,560	42,928
Short term - JPY	-	4,217,232
Short term - GBP	8,777	211
Short term - EURO	179,315	39,653
Short term - FRF	-	406
Short-term - NLG	-	61
Short-term - BEF	62,475	510
Short-term - ITL	134,481	-
Medium and long-term - US$	45,697	76,400
Medium and long-term - DM	8,543	11,025
Medium and long-term - EURO	1,792	966
Turkish lira equivalent (in billions)	413,111	240,783

As of December 31, 2000 and 1999, funds borrowed from local banks include funds obtained from state owned banks to finance certain export loans given to customers, under prevailing regulations, of which TL8,623 and TL8,197 were denominated in foreign currency, respectively. Also, as of December 31, 2000 and 1999, funds borrowed from local banks including the borrowings of the subsidiaries from other local banks in Turkish lira ranging at annual interest rates of 17% to 32% and 48% to 81%, respectively.

The borrowings from foreign banks mainly represent funds obtained from European and United States banks.

Further details of borrowings from foreign banks are as follows:

	2000	1999
DM denominated short-term borrowings:		
Borrowings of the Bank Interest rates range	5.80% - 8.31%	4.35% - 5.05%
Maturity range	February 2001 - October 2001	January 2000 - October 2000
Borrowings of consolidated subsidiaries Interest rates range	5.87% - 11.23%	4.80% - Libor + 11%
Maturity range	January 2001 - December 2001	January 2000 - December 2000
US$ denominated short-term borrowings:		
Borrowings of the Bank Interest rates range	6.95% - 9.75%	6.05% - 9.27%
Maturity range	January 2001 - November 2001	March 2000 - December 2000
Borrowings of consolidated subsidiaries Interest rates range	4.35% - 12.23%	6.69% - Libor +9%
Maturity range	January 2001 - November 2001	January 2000 - July 2000
EURO denominated short-term borrowings:		
Borrowings of the Bank Interest rates range	5.49% - 7.33%	4.21%
Maturity range	February 2001 - September 2001	December 2000
Borrowings of consolidated subsidiaries Interest rates range	4.35% - 18.5%	10%
Maturity range	January 2001 - October 2001	April 2000
JPY denominated short-term borrowings:		
Borrowings of the Bank Interest rates range	-	2.80%
Maturity range	-	February 2000

	2000	1999
GBP denominated short-term borrowings:		
Borrowings of the Bank Interest rates range	7.25 - 8.50%	-
Maturity range	April 2001 - September 2001	
		-
Borrowings of consolidated subsidiaries Interest rates range	7.25%	-
Maturity range	January 2001	-
ITL denominated short-term borrowings:		
Borrowings of the Bank Interest rates range	6.44% - 6.48%	-
Maturity range	July 2001	-
Borrowings of consolidated subsidiaries Interest rates range	7%	-
Maturity range	April 2001	-
BEF denominated short-term borrowings:		
Borrowings of the Bank Interest rates range	6.53%	-
Maturity range	June 2001	-
TL denominated short-term borrowings:		
Borrowings of consolidated subsidiaries Interest rates range	100%	7.50% 74.50%
Maturity range	January 2001	January 2000 - July 2000
EURO denominated medium and long-term borrowings:		
Borrowings of consolidated subsidiaries Interest rates range	9.84%	4.25% - 4.30%
Maturity range	February 2002	September 2004
US$ denominated medium and long-term borrowings:		
Borrowings of the Bank Interest rates range	Libor + 3%	6.47% - 9.25%
Maturity range	April 2003	April 2003 - April 2005
Borrowings of consolidated subsidiaries Interest rates range	Libor + 3% - Libor + 3.5%	6.50% - Libor + 9%
Maturity range	March 2002 - April 2005	January 2001 - April 2004

	2000	1999
DM denominated medium and long-term borrowings:		
Borrowings of consolidated subsidiaries Interest rates range	Fibor + 0.75%	4.30% - 7.99%
Maturity range	September 2003, - May 2004	September 2003 - May 2004

As of December 31, 2000 and 1999, the fair value of medium and long-term borrowings amount to TL35,113 and TL54,731, respectively.

Interbank Funds Borrowed:

Interbank funds borrowed represent borrowings from interbank money market governed by the Central Bank and are as follows:

	2000	1999
Amount (TL)	800	-
Maturity range	January 2, 2001	-
Interest rate range	110%	-

Funds Borrowed Under Securities Repurchase Agreements:

As of December 31, 2000, funds borrowed under securities repurchase agreements represent securitized borrowings against marketable securities of TL18,512 (1999 - TL134,732) and funds lent under securities resale agreements of TL22,000 (1999 - TL8,293).

(12) PROMISSORY NOTES:

As of December 31, 2000, promissory notes represent notes payable with a nominal value of US$10,000,000, net of discount of US$665,113 and repayable at September - November 2001. Interest rate on such notes is 8%.

(13) ACCRUED INTEREST INCOME AND OTHER ASSETS AND ACCRUED INTEREST EXPENSE AND OTHER LIABILITIES:

Accrued interest income and other assets comprise the following:

	2000	1999
Accrued interest income on placements	20,159	5,637
Accrued interest income on loans	4,900	7,440
Accrued interest income on marketable securities	2,058	2,156
Prepaid taxes	1,195	-
Transitory accounts and prepaid expenses	5,881	-
Other assets	6,976	16,161
	41,169	31,394

Accrued interest and other liabilities comprise the following:

	2000	1999
Accrued interest expense on deposits	18,954	9,887
Accrued interest expense on funds borrowed	7,387	3,933
Accrued loss on outstanding forward agreements, net	7,751	14,135
Retirement pay liability	1,612	1,373
Transitory accounts	4,377	642
Payment orders	1,058	5,138
Other liabilities	29,935	26,209
	71,074	61,317

As of December 31, 2000 the payables to TEB Mali Yatırımlar amounting to TL2,069, TL1,631 and TL46 for the purchase of shares of TEB Leasing, TEB Factoring and TEB Kıymetli Madenler A.Ş, respectively have been classified in other liabilities.

(14) TAXATION:

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

Accordingly, the deferred tax liability of the Bank as of December 31, 2000 and 1999 has been computed using 33% as the effective tax rate. In addition, except for dividend income, items exempt from corporation tax (excluding investment allowance) are subject to income tax withholding at the effective rate of 16.5% whether distributed or not. Transfer of distributable net income to share capital is not considered as dividend distribution. Investment allowance is subject to income tax withholding at the effective rate of 19.8% (1999 - 16.5%).

The total provisions for income tax applicable to income for the years ended December 31, 2000 and 1999 are different from the amounts computed by applying the effective corporate tax rate to income before provision for income tax as shown in the following reconciliation.

	2000	1999
Income before provision for taxes, minority interest and monetary loss, being basis for tax reconciliation	39,252	50,729
Provision for corporate taxes at the combined tax rate of 33%	12,953	16,740
Net benefit of investment allowance utilized	(721)	(1,369)
Tax effect in historical amounts of permanent non-tax deductible and tax deductible expenses and others, net	(4,689)	(1,582)
Effect of statutory tax losses carried forward	-	(698)
Other effects, primarily relating to restatement due to the effects of accounting for inflation	5,757	3,922
Provision for taxes per consolidated statements of income	13,300	17,013

Provision for taxes per consolidated statements of income:

	2000	1999
- Current	8,635	22,345
- Deferred	4,665	(5,332)
	13,300	17,013

As of December 31, 2000 and 1999, the summary of deferred tax liability was as follows:

	2000	1999
Deferred tax liability on:		
Income accrual and foreign exchange gain on marketable securities which will be taxable when collected	9,137	5,791
Reserves and accruals	(503)	(2,625)
Restatement of fixed assets	1,984	1,256
Others, net	(654)	(447)
Total amount in historical Turkish lira	9,964	3,975
Total amount as restated to purchasing power at December 31, 2000	9,964	5,275

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

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

As of December 31, 2000, prepaid taxes amounting to TL5,308 (1999 - TL2,990) was netted off with taxes payable on income.

According to the revised tax regulations, effective from December 31, 1999, interest income on government securities is no longer deferred and the tax on such income is calculated and recorded as current tax.

In Turkey, tax returns are filed within the fourth month following the year-end. According to existing tax regulations, the tax authorities may examine such returns and the underlying accounting records within five years.

(15) SHARE CAPITAL:

The Company's registered share capital in historical Turkish lira is TL100,000 (1999 - TL27,500) comprising of twohundred billion (1999 - fiftyfive billion) shares of par value TL fivehundred each.

The authorised and paid-in share capital of the Bank in historical Turkish lira is as follows:

	2000		1999	
	Paid-in Capital	%	Paid-in Capital	%
TEB Mali Yatırımlar A.Ş.	38,631	70.08	19,569	88.95
Public shares	11,025	20.00	-	-
Çolakoğlu Metalurji A.Ş.	4,739	8.60	2,106	9.58
Others	730	1.32	325	1.47
	55,125	100.00	22,000	100.00

As of December 31, 2000 and 1999, the Bank's historical authorized and paid-in share capital comprises 110,250 million shares of five hundred Turkish lira par value each and 44 billion shares of five hundred Turkish lira par value each, respectively.

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

Furthermore, in July 2000 historical share capital was further increased by TL30,625, through transfer of TL17,591 from share premiums of initial public offering and TL13,034 from historical statutory general reserves.

The adjustment to share capital amounting to TL14,477 and TL23,435 at December 31, 2000 and 1999, respectively, represents the restatement effect of the cash contributions to share capital with the purchasing power at December 31, 2000.

In its statutory financial statements which are presented under the historical cost convention the Bank has recorded dividend payment of TL8,169 from statutory net income, in the year ended December 31, 1999. To the extent that these dividends have been immediately reinvested in the share capital of the Bank, they are not treated as share capital increases under the application of IAS 29. Dividend payments recorded in the consolidated statements of shareholders' equity represent the restated amounts of dividends, which have not been reinvested in the share capital of the Bank. Furthermore, in 2000, TL13,034 transferred from general reserves to share capital has also not been treated as share capital increase under IAS 29.

As of December 31, 2000 and 1999, the Bank has 639 and 640 shareholders (excluding public shareholders), respectively.

According to the regulations governing the Turkish banking system, the Bank is obliged to comply with the minimum requirements of the Capital Adequacy Ratio (statutory capital adequacy ratio) as defined by the Undersecretariat of Treasury of the Republic of Turkey (the Treasury). Such ratio is computed based upon the historic Turkish lira unconsolidated financial statements of the Bank. For each of the years ending December 31, 2000 and 1999, the Bank’s statutory capital adequacy ratio exceeded the minimum requirement of the Treasury. The Treasury announced a new requirement under which the Capital Adequacy Ratio is required to be computed on a consolidated basis based on the historic Turkish lira consolidated financial statements of the Bank and its financial subsidiaries. The new requirement became effective starting from June 30, 2000.

(16) RELATED PARTY TRANSACTIONS:

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

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

The details of outstanding transactions with related parties as of December 31, 2000 and 1999 are as follows:

	2000	1999
Cash loans granted	106,691	53,281
Non-cash loans granted	5,623	15,328
Gross lease receivable	1,163	1,604
Call and time deposits with banks	67,975	64,779
Deposits taken	156,407	103,352
Marketable securities sold under repurchase agreements	46	1,684
Funds borrowed	7,400	-
Forward transactions (buy)	345,754	223,757
Forward transactions (sell)	358,181	229,215
Accrued forward gain/(loss) on outstanding transactions	(1,346)	(1,543)

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

(17) MATURITY DISTRIBUTION:

The following table shows a distribution of Turkish lira and foreign currency denominated interest earning assets and interest bearing liabilities in approximate maturity groupings according to remaining maturities at December 31, 2000 and 1999:

	2000						1999					
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total	0 to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Interest Earning Assets:												
Turkish lira:												
-Call and time deposits with banks	9,437	10,135	27,500	8,000	-	55,072	19,612	32,910	28,635	1,327	-	82,484
-Interbank funds sold	40,200	-	-	-	-	40,200	19,905	332	-	-	-	20,237
-Reserve deposits at Central Bank	2,186	-	-	-	-	2,186	1,140	-	-	-	-	1,140
-Marketable securities	4,126	20,948	35,685	-	17,745	78,504	4,179	11,118	1,603	19	53,914	70,833
-Marketable securities sold under repurchase agreements	21,911	-	-	-	-	21,911	161,341	-	-	-	-	161,341
-Funds lent under reverse repurchase agreements	24,009	-	-	-	-	24,009	10,945	-	-	-	-	10,945
-Loans	40,426	6,200	9,718	13,174	33,342	102,860	40,753	13,875	9,808	13,237	3,750	81,423
-Net lease receivables	2,297	2,894	3,603	4,085	4,212	17,091	721	1,602	2,032	2,955	1,415	8,725
Total Turkish lira	144,592	40,177	76,506	25,259	55,299	341,833	258,596	59,837	42,078	17,538	59,079	437,128
Foreign currency (*)												
-Call and time deposits with banks	284,315	577	-	-	-	284,892	166,577	25,705	46,976	57,613	-	296,871
-Marketable securities	-	-	-	-	2,706	2,706	475	3,601	-	-	5,571	9,647
-Interbank funds sold	139,727	-	-	-	-	139,727	-	-	-	-	-	-
-Reserve deposits at Central Bank	40,145	-	-	-	-	40,145	39,335	-	-	-	-	39,335
-Loans	39,699	55,402	84,493	118,964	60,028	358,586	15,871	46,933	69,638	57,048	21,727	211,217
-Net lease receivables	1,083	2,323	3,316	5,302	10,628	22,652	1,446	2,558	2,942	3,467	7,188	17,601
Total foreign currency	504,969	58,302	87,809	124,266	73,362	848,708	223,704	78,797	119,556	118,128	34,486	574,671
Total	649,561	98,479	164,315	149,525	128,661	1,190,541	482,300	138,634	161,634	135,666	93,565	1,011,799
Interest Bearing Liabilities:												
Turkish lira:												
-Deposits	41,771	14,203	8,009	14,292	-	78,275	34,591	4,484	1,364	798	-	41,237
-Funds borrowed from banks	7,451	-	5,189	297	-	12,937	18,104	3,229	10,231	9,812	-	41,376
-Funds borrowed under securities repurchase agreements	40,512	-	-	-	-	40,512	143,025	-	-	-	-	143,025
-Interbank funds borrowed	800	-	-	-	-	800	-	-	-	-	-	-
Total Turkish lira	90,534	14,203	13,198	14,589	-	132,524	195,720	7,713	11,595	10,610	-	225,638
Foreign currency (*)												
-Deposits	248,120	113,826	83,839	79,453	58,791	584,029	272,478	118,518	53,936	50,202	13,191	508,325
-Funds borrowed from banks	41,797	56,173	160,502	132,694	34,029	425,195	2,198	18,105	73,361	98,873	45,470	238,007
-Promissory notes	-	-	6,301	-	-	6,301	-	-	-	-	-	-
Total foreign currency	289,917	169,999	250,642	212,147	92,820	1,015,525	274,676	136,623	127,297	149,075	58,661	746,332
Total	380,451	184,202	263,840	226,736	92,820	1,148,049	470,396	144,336	138,892	159,685	58,661	971,970

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

(18) LEGAL AND GENERAL RESERVES:

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

As of December 31, 2000 and 1999, the aggregate of the combined statutory general reserve and current year net income of TL43,022 and TL33,758 (in historical terms), respectively were available for distribution, subject to the legal reserve requirements referred to above.

The legal reserves of the Bank as at the indicated dates were as follows (in historical terms):

	2000	1999
Legal reserves	3,980	2,892

(19) INVESTMENT FUNDS:

The Bank established five investment funds and TEB Menkul established four investment funds under the regulations of the Capital Market Board. These investment funds are managed by TEB Portföy Yönetimi A.Ş. for a management fee. In accordance with the funds' charters, the Bank and TEB Menkul market their participation certificates and provide other services for a corresponding fee.

As of December 31, 2000 and 1999, the total value of the investment funds managed by the Bank and TEB Menkul amounted to TL110,792 and TL55,466.

(20) CONTINGENCIES AND COMMITMENTS:

In the normal course of business activities, the Bank and its consolidated subsidiaries undertake various commitments and incur certain contingent liabilities that are not presented in the accompanying financial statements. The following is a summary of significant contingencies and commitments at December 31, 2000 and 1999.

Trust Assets:

The nominal values of the assets held by the Bank and the consolidated subsidiaries in fiduciary, agency or custodian capacities amounted to TL818,029 and TL436,868 at December 31, 2000 and 1999, respectively.

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

As of December 31, 2000 and 1999, in line with the requirements of IGM letters of guarantee amounting to US$1,610,000 had been obtained from local banks and were provided to IGM for transactions conducted in that market.

As of December 31, 2000 and 1999, according to the general requirements of the ISE, letters of guarantee amounting to TL3,859 and US$25 million and TL3,661 and US$18 million, respectively, had been obtained from various local banks and were provided to the ISE for bond market transactions. Also, as of December 31, 2000 and 1999, according to the general requirements, letters of guarantee amounting to TL346 (in historical terms) were given to the Capital Market Board.

Forward Agreements:

The forward commitments comprised (foreign currency in thousands):

	2000	1999
BUY		
TL	35,823	152,580
US$	567,282	558,036
DM	7,650	5,700
GBP	13,024	6,598
CHF	1,499	-
JPY	-	532,760
EUR	442,826	252,451
US$ Equivalent	983,105	865,428
SELL		
TL	148,187	46,190
US$	564,920	378,833
DM	57,255	8,792
CHF	1,226	9,004
JPY	-	696,445
DKK	1,060	-
GR (Gold)	-	6,005
SEK	1,619	-
EUR	347,478	251,002
US$ Equivalent	928,625	739,970

As of December 31, 2000 and 1999, the fair value of the outstanding forward agreements computed as indicated in Note 3(l) approximated the following:

	2000	1999
Buy	696,239	775,832
Sell	772,005	579,092

The above indicated forward agreements outstanding as of December 31, 2000 and 1999 mature between January 2, 2001 and November 30, 2001 and January 2000 and December 2000, respectively.

The Bank has certain structured transactions with foreign financial institutions, which the Bank has a right to set off the recognized amounts and intends to settle on a net basis. Such transactions which are due for settlement in 2001, are reflected net in the balance sheet as the net of financial liabilities and financial assets with call and put options and swap commitments of TL115,872 (1999 - TL166,455).

Interest Rate Risk and Foreign Currency Risk Management:

A key component of the Bank's asset and liability policy is the management of interest rate sensitivity, the relationship between market interest rates and net interest income due to the maturity or repricing characteristics of interest-earning assets and interest-bearing liabilities. The Asset Liability Committee (ALCO) of the Bank manages the gap position in the Bank's balance sheet.

The Board of Directors of the Bank sets a limit for the size of the Bank's net short position, which also complies with the legal requirement in effect. The Bank's Treasury Department manages foreign exchange and Turkish lira money market price, liquidity and availability risks arising in both local and international markets. The Treasury Department's Risk Management Unit, continuously monitors foreign exchange and money market risks arising from trading operations and provides weekly updates to ALCO. The Risk Management Unit also monitors the activities of the financial subsidiaries. Risk Management policies are established by the Board of Directors and executed by ALCO. Country and counterparty limits are set by the Credit Committee. The risk management process for branch operations and various other business functions is centralised. Limits on both maturity profile and amounts are set by ALCO.

Other Commitments:

	2000	1999
Letters of guarantee issued by the Bank	274,727	196,753
Letters of guarantee obtained by consolidated subsidiaries from other banks	32,115	14,237
Payment commitments to foreign banks arising from:		
Acceptance credits	18,863	12,642
Letters of credit	109,093	106,141

As of December 31, 2000 and 1999, the letters of guarantee and payment commitments, excluding letters of guarantee secured by counter guarantees amounting to TL22,775 and TL16,103, respectively and excluding confirmed and 100% collateralized letters of credit amounting to TL10,234 and TL23,913, respectively can be classified by industry group as follows:

	2000	1999
Financial sector	83,068	64,892
Food, beverage, tobacco	38,318	29,934
Other textiles	30,467	-
Machinery	28,516	-
Transportation	25,421	10,205
Wholesale, retailing	21,534	8,466
Metals	19,862	26,289
Chemicals and chemical products	18,771	11,715
Fiber, plastic	12,871	10,128
Tourism, transportation and warehousing	10,523	5,348
Textiles and ready-to-wear textiles	9,534	35,176
Mining other than metals	7,725	5,413
Electricity and optic devices	7,400	3,943
Construction	7,138	7,253
Consumer loans	4,197	-
Leather and leather products	3,427	3,234
Fuel products	1,804	19,531
Wood products	1,478	186
Others	37,620	33,807
	369,674	275,520

(21) SEGMENT INFORMATION:

Business segments

For management purposes, the consolidated business of the Bank is comprised primarily of banking, financial leasing (leasing) and factoring operations and intermediary activities (intermediary).

	December 31, 2000					December 31, 1999				
	Banking	Leasing	Factoring	Brokerage, Corporate Finance and Other	Aggregated	Banking	Leasing	Factoring	Brokerage, Corporate Finance and Other	Aggregated
Interest income	178,579	16,361	22,538	10,727	228,205	169,396	21,200	14,875	11,138	216,609
Other income	21,018	296	1,056	15,309	37,679	27,831	340	236	11,687	40,094
Total segment revenue	199,597	16,657	23,594	26,036	265,884	197,227	21,540	15,111	22,825	256,703
Less: Interest expenses, net foreign exchange losses and other	(107,753)	(9,368)	(14,164)	(6,985)	(138,270)	(102,538)	(14,731)	(9,172)	(12,179)	(138,620)
Less: Other operating expenses	(72,183)	(2,163)	(4,270)	(9,554)	(88,170)	(56,159)	(2,471)	(3,109)	(5,615)	(67,354)
Segment result before provision for income tax and monetary loss	19,661	5,126	5,160	9,497	39,444	38,530	4,338	2,830	5,031	50,729
Provision for taxation	(7,589)	(1,242)	(1,760)	(2,709)	(13,300)	(13,133)	(1,066)	(1,208)	(1,608)	(17,015)
Monetary loss	(6,485)	(2,460)	(832)	(2,525)	(12,302)	(6,622)	(1,093)	(338)	(1,440)	(9,493)
Minority interest					(3,236)					(3,211)
Other expense associated with acquisition					(192)					
Net income	5,587	1,424	2,568	4,263	10,414	18,775	2,179	1,284	1,983	21,010
Segment and total assets	1,187,224	44,786	75,334	47,935	1,355,279	1,010,559	50,304	54,817	30,705	1,146,385
Segment liabilities	1,101,277	25,663	67,743	35,078	1,229,761	909,653	44,778	47,087	35,247	1,036,765
Taxes payable (current and deferred)	9,033	130	1,703	2,257	13,123	19,462	564	1,250	1,486	22,762
Total liabilities	1,110,310	25,793	69,446	37,335	1,242,884	929,115	45,342	48,337	36,733	1,059,527

Geographical segment information is not provided since the operations of the Bank and the subsidiaries located in Turkey, which constitute the major part of the consolidated business, are mainly with local customers.

(22) SUBSEQUENT EVENT:

No specific events occurred between the balance sheet and report dates.

(23) FINANCIAL STATEMENTS OF THE BANK:

The Bank's own unconsolidated balance sheets and income statements prepared in accordance with IAS other than application of IAS 27 (Consolidated Financial Statements and Accounting for Investments) as of and for the years ended December 31, 2000 and 1999 are included in the Appendix for information purposes only. These financial statements have been included within the consolidated financial statements as of the respective dates. In the Bank only financial statements, equity participations are reflected at restated cost including bonus shares received from immediate reinvestment of dividends and transfers from general reserves.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

Appendix 1

BALANCE SHEETS AS OF DECEMBER 31, 2000 AND 1999

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2000)

ASSETS	2000	1999
CASH AND CURRENT ACCOUNTS WITH BANKS	55,218	57,628
CALL AND TIME DEPOSITS WITH BANKS	240,507	292,119
INTERBANK FUNDS SOLD	179,927	20,237
RESERVE DEPOSITS AT CENTRAL BANK	42,331	40,487
MARKETABLE SECURITIES	74,125	76,622
MARKETABLE SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	21,911	153,031
FUNDS LENT UNDER SECURITIES RESALE AGREEMENTS	22,000	1,991
LOANS, net	230,485	152,237
ACCRUED INTEREST INCOME AND OTHER ASSETS	23,156	15,964
EQUITY PARTICIPATIONS, net	30,563	21,263
PREMISES AND EQUIPMENT, net	17,155	13,940
Total assets	937,378	845,519

LIABILITIES AND SHAREHOLDERS' EQUITY	2000	1999
DEPOSITS		
Demand	64,572	67,581
Time	377,534	344,160
Total deposits	442,106	411,741
FUNDS BORROWED UNDER SECURITIES REPURCHASE AGREEMENTS	41,038	134,732
FUNDS BORROWED FROM BANKS		
Local banks	14,108	11,487
Foreign banks	276,657	146,255
INTERBANK FUNDS BORROWED	800	-
ACCRUED INTEREST AND OTHER LIABILITIES	50,910	48,980
TAXES PAYABLE:		
Taxes on income	-	15,379
Other taxes	2,950	3,203
Deferred income tax	6,987	3,909
Total liabilities	835,556	775,686
SHAREHOLDERS' EQUITY:		
Share capital	69,602	45,435
Legal and general reserves	24,398	9,784
Current year net income	7,822	14,614
Total shareholders' equity	101,822	69,833
Total liabilities and shareholders' equity	937,378	845,519
CONTINGENCIES AND COMMITMENTS		
Guarantees given	374,347	336,574
Forward commitments	1,454,448	1,316,380
	1,828,795	1,652,954

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

Appendix 2

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2000)

	2000	1999
INTEREST INCOME:		
Interest on loans	56,573	49,382
Fees and commissions on loans	949	641
Interest on marketable securities, net	33,892	61,329
Interest on deposits with banks	63,238	41,235
Other interest income	552	4,994
	155,204	157,581
INTEREST EXPENSE:		
Interest on funds borrowed	(20,414)	(13,043)
Interest on local currency deposits	(18,617)	(29,171)
Interest on foreign currency deposits	(27,578)	(24,519)
Other interest expense	(863)	(610)
	(67,472)	(67,343)
Net interest income	87,732	90,238
PROVISION FOR POSSIBLE LOAN LOSSES	(2,959)	(472)
Net interest income after provision for possible loan losses	84,773	89,766
FOREIGN EXCHANGE LOSS, NET	(17,815)	(27,802)
OTHER OPERATING INCOME:		
Income from banking services	6,910	8,211
Marketable securities trading income, net	4,003	12,835
Other income	15,353	3,992
	26,266	25,038
OTHER OPERATING EXPENSES:		
Salaries and employee benefits	(27,400)	(25,512)
Administration and other expenses	(27,614)	(21,103)
Taxation other than on income	(13,181)	(4,103)
Depreciation and amortization	(4,259)	(2,811)
	(72,454)	(53,529)
Income before provision for income tax and monetary loss	20,770	33,473
PROVISION FOR INCOME TAX (Note 14)	(5,157)	(12,670)
Income before monetary loss	15,613	20,803
MONETARY LOSS	(7,791)	(6,189)
Net income	7,822	14,614

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2000 TOGETHER WITH AUDIT REPORT (*)

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

(*) Notes to financial statements can be obtained from the Bank.

ARTHUR ANDERSEN

A.A. Aktif Analiz S.M.M.M. A.Ş.

To the Banking Regulatory and Supervisory Board and the Board of Directors of Türk Ekonomi Bankası A.Ş.

1. We have audited the consolidated balance sheet of Türk Ekonomi Bankası Anonim Şirketi and financial subsidiaries as of December 31, 2000 and the related consolidated statement of income for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Economy Bank N.V., Petek International Holdings B.V. and TEB Sigorta A.Ş., which statements reflect total assets and net income constituting 22% and 20%, respectively, of the related consolidated total as of December 31, 2000. Those statements has been furnished to us, and our opinion, insofar as it relates to the amounts included for these subsidiaries, is based solely upon the report of the other auditors.

2. We conducted our audit in accordance with International Standards on Auditing. 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the accompanying consolidated financial statements are fairly presented, in all material respects, in compliance with the "Communique on Procedures and Basis for Preparation and Announcement of Consolidated Financial Statements by Banks", published in the Official gazette number 22985 dated May 10, 1997 by the Undersecretariat to the Turkish Republic Prime Ministry of Treasury.

   Additional paragraph for convenience translation to English:

   The above mentioned accounting principles differ from International Accounting Standards (IAS) issued by International Accounting Standards Committee and so far as such differences apply to the financial statements of the Bank they relate to the format of financial statements and disclosure requirements, the application of IAS 29 (Financial Reporting in Hyperinflationary Economies), accounting for marketable securities sold under repurchase agreements and accounting for retirement pay liabilities. The effects of the differences between these accounting principles generally accepted in the countries in which the accompanying financial statements are to be used and IAS have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in the countries of users of the financial statements and IAS.

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

Ayşen Topay

İstanbul,
February 16, 2001.

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED BALANCE SHEETS (PARENT)
(Currency - Billions of Turkish lira)

ASSETS		Current Period (31/12/2000)	Prior Period (31/12/1999)
I-	CASH	29,079	22,965
	A. Vault (Cash in TL)	2,003	2,609
	B. Effective Depot (Cash in Foreign Currency)	26,751	19,702
	C. Others	325	654
II-	BANKS	369,906	307,330
	A. Central Bank	3,241	44,915
	B. Others Bank	366,665	262,415
	1) Local Banks	96,597	54,505
	2) Foreign Banks	270,068	207,910
III-	OTHER FINANCIAL INSTITUTIONS	414	-
IV-	INTERBANK FUNDS SOLD	179,927	15,250
V-	MARKETABLE SECURITIES (Net)	12,135	74,855
	A. Government Bonds and Treasury Bills	12,009	57,978
	B. Private Sector Bonds and Bills	-	6,087
	C. Share Certificates	-	8,356
	D. Other Marketable Securities	126	2,434
VI-	LOANS	461,446	220,528
	A. Short-Term	356,050	195,862
	B. Medium and Long-Term	105,396	24,666
VII-	FACTORING RECEIVABLES	43,835	20,243
VIII-	LEASING RECEIVABLES (Net)	40,146	19,839
	A. Leasing Receivables	49,802	26,508
	B. Unearned Income (-)	(9,656)	(6,669)
IX-	RECEIVABLES IN FOLLOW-UP, (Net)	-	-
	A. Loans in Follow-up and Other Receivables (Net)	-	-
	1) Gross Receivable	1,206	574
	2) Specific Reserve Provided (-)	(1,206)	(574)
	B. Loans in Arrears and Other Doubtful Receivables (Net)	-	-
	1) Gross Receivable	243	-
	2) Specific Reserve Provided (-)	(243)	-
	C. Write-offs and Other Receivables (Net)	-	-
	1) Gross Receivable	554	-
	2) Specific Reserve Provided (-)	(554)	-
X-	INTEREST AND OTHER INCOME ACCRUALS	69,767	31,676
	A. Loans	14,278	5,222
	B. Marketable Securities	39,400	22,494
	C. Others	16,089	3,960
XI-	RESERVE DEPOSITS	42,331	30,510
	A. Reserve Deposits	42,331	30,510
	B. Government Bond Account Funding Legal Reserves	-	-
	C. Other Reserves	-	-
XII-	MISCELLANEOUS RECEIVABLES	566	160
XIII-	UNCONSOLIDATED PARTICIPATIONS, (Net)	607	570
	A. Financial Participations	606	569
	B. Non-financial Participations	1	1
XIV-	UNCONSOLIDATED SUBSIDIARIES, (Net)	426	399
	A. Financial Subsidiaries	424	399
	B. Non-financial Subsidiaries	2	-
XV-	BLOCKED MARKETABLE SECURITIES	192,491	115,283
	A. Share Certificates	47,655	30,566
	B. Other Marketable Securities	144,836	84,717
XVI-	FIXED ASSETS, (Net)	13,935	8,165
	A. Cost	31,900	21,506
	B. Accumulated Depreciation (-)	(17,965)	(13,341)
XVII-	GOODWILL ON CONSOLIDATION	223	-
XVIII-	OTHER ASSETS	15,156	9,665
TOTAL ASSETS		1,472,390	877,438

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED BALANCE SHEETS (PARENT)
(Currency - Billions of Turkish lira)

LIABILITIES		Current Period (31/12/2000)	Prior Period (31/12/1999)
I-	DEPOSITS	662,303	414,139
	A. Savings Deposits	9,907	7,432
	B. Foreign Currency Deposits	577,991	356,287
	C. Gold Account Deposits	5,440	5,937
	D. Banking Deposits	45,545	25,805
	E. Other Deposits (Other than A, B, C, D)	23,420	18,678
II -	INTERBANK FUNDS BORROWED	800	-
III -	FUNDS BORROWED	576,808	328,698
	A. Funds Borrowed from Central Bank	-	-
	B. Other Funds Borrowed	576,808	328,698
	1) Local Banks and Institutions	25,021	29,088
	2) Foreign Banks and Institutions	551,787	299,610
	3) Share Capital Advances	-	-
IV -	FACTORING PAYABLES	1,224	867
V -	FINANCIAL LEASE PAYABLES (Net)	-	-
	A. Financial Lease Payables	-	-
	B. Deferred Financial Lease Expenses (-)	-	-
VI -	BONDS ISSUED (Net)	-	-
	A. Bonds and Bills	-	-
	B. Asset Backed Securities	-	-
	C. Other Marketable Securities	-	-
VII -	INTEREST AND OTHER EXPENSE ACCRUALS	59,740	24,771
	A. Deposits	12,392	4,751
	B. Funds Borrowed	18,027	7,959
	C. Other	29,321	12,061
VIII-	TAXES AND FUNDS PAYABLES	3,844	2,621
IX -	IMPORT TRANSFER ORDERS	6,543	1,299
X -	MISCELLANEOUS PAYABLES	9,762	11,839
XI -	RESERVES	21,740	17,132
	A. Reserve for Retirement Pay Liability	377	182
	B. General Reserve for Possible Loan Losses	2,390	770
	C. Reserve for Taxes	8,470	13,178
	D. Deferred Tax Reserve	8,441	2,855
	E. Technical Insurance Reserves (Net)	2,048	-
	F. Other Reserves	14	147
XII-	SHARE OF UNCONSOLIDATED PARTICIPATIONS	1,335	1,876
XIII-	OTHER LIABILITIES	12,544	12,827
XIV-	SHAREHOLDERS' EQUITY	81,466	30,657
	A. Paid-in Capital	55,125	22,000
	1) Nominal Capital	55,125	22,000
	2) Unpaid Capital (-)	-	-
	B. Legal Reserves	21,901	6,934
	C. Reserve for Possible Losses	-	-
	D. Revaluation Surplus	4,058	1,496
	E. Valuation Differences	255	227
	F. Negative Consolidation Goodwill	127	-
XV-	PROFIT AND LOSS	34,281	30,712
	A. Current Period Profit and Loss	34,281	30,712
	1) Group's Share	28,941	27,013
	2) Minority Share	5,340	3,699
	B. Prior Period Profit and Loss	-	-
	1) Group's Share	-	-
	2) Minority Share	-	-
TOTAL LIABILITIES		1,472,390	877,438
	OFF-BALANCE SHEET OBLIGATIONS		
I-	GUARANTEES AND COLLATERALS	395,965	237,782
II-	COMMITMENTS	149,109	120,211
III-	FOREIGN CURRENCY AND INTEREST RELATED TRANSACTIONS	1,686,636	1,076,468
IV-	OTHER	3,412,001	-
TOTAL		5,643,711	1,434,461

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENTS OF INCOME (PARENT)
(Currency - Billions of Turkish lira)

		Current Period (31/12/2000)	Prior Period (31/12/1999)
I -	INTEREST INCOME	228,785	161,980
	A. Interest Income on Loans	68,095	46,314
	B. Interest Income on Reserve Deposits	-	-
	C. Interest Income on Bank Deposits	77,331	40,485
	D. Interest Income on Interbank Funds	12,964	6,169
	E. Interest Income on Marketable Securities	41,352	53,724
	F. Other Interest Income	29,043	15,288
II -	INTEREST EXPENSE	104,366	71,180
	A. Interest Expense on Deposits	62,489	43,507
	1) Savings Deposits	21,804	12,379
	2) Foreign Currency Deposits	26,592	18,051
	3) Gold Account Deposits	149	172
	4) Banking Deposits	12,726	2,103
	5) Other Deposits (other than 1, 2, 3 and 4)	1,218	10,802
	B. Interest Expense on Interbank Funds Borrowed	181	143
	C. Interest Expense on Funds Borrowed	40,833	26,302
	D. Interest Expense on Marketable Securities Issued	-	768
	E. Other Interest Expense	863	460
III -	NET INTEREST INCOME (I - II)	124,419	90,800
IV -	NON-INTEREST EXPENSE	241,102	114,132
	A. Fees and Commissions Received	20,060	5,694
	B. Gain on Capital Market Transactions	141,331	47,130
	C. Foreign Exchange Gains	68,108	53,866
	D. Dividends from Participation and Subsidiaries	4,451	2,326
	E. Extraordinary Income	-	-
	F. Other Non-interest Income	7,152	5,116
V -	NON-INTEREST EXPENSE	317,600	160,312
	A. Fees and Commissions Paid	6,978	2,172
	B. Loss on Capital Market Transactions	128,419	32,139
	C. Foreign Exchange Losses	105,388	90,142
	D. Personnel Expenses	29,585	17,556
	E. Provision for Retirement Pay Liability	1,131	218
	F. Rent Expenses	4,932	2,324
	G. Depreciation Charge	3,634	1,919
	H. Taxes and Funds	5,929	2,181
	I. Extraordinary Expenses	6,238	11
	J. Provision for loans in follow-up	472	235
	K. Other Provisions	4,738	566
	L. Other Expenses	20,156	10,849
VI -	NET NON-INTEREST EXPENSES (IV -V)	(76,498)	(46,180)
VII -	INCOME BEFORE TAX (III - VI)	47,921	44,620
VIII -	PROVISION FOR TAXATION	13,640	13,908
IX -	NET INCOME (VII - VIII)	34,281	30,712
	A. Group's Share	28,941	27,013
	B. Minority Share	5,340	3,699

TÜRK EKONOMİ BANKASI A.Ş.
STATEMENTS OF OFF-BALANCE SHEET OBLIGATIONS (PARENT)
(Currency - Billions of Turkish lira)

		(Current Period) (31/12/2000)	(Prior Period) (31/12/1999)
I-	GUARANTEES AND COLLATERALS	395,965	237,782
	A. Letters of Guarentee	268,009	148,269
	B Acceptance Credits	18,863	9,527
	C Letters of Credit	109,093	79,986
	D. Endorsements	-	-
	E. Prefinancing Loans Without Letters of Guarantee	-	-
	F. Receivables from Underwriting	-	-
	G. Other Guarantees and Collaterals	-	-
II-	IRREVOCABLE COMMITMENTS	149,109	120,211
	A. Repurchase and Reverse Repurchase Transactions	41,680	120,211
	1) Repurchase Transactions	19,305	110,863
	2) Reverse Repurchase Transactions	22,375	9,348
	B. Commitments of Asset Purchase	-	-
	C. Commitments of Deposit Trading	8,500	-
	D. Commitments of Share Capital Increase of Participation	-	-
	E. Commitments of Loan with Issuance Guarantee	48,522	-
	F. Commitments of Intermediary Activities for Share Certificate Issuance	-	-
	G. Commitments of Reserve Deposits Payments	-	-
	H. Commitments of Credit Card Limits	50,407	-
	I. Other	-	-
III-	REVOCABLE COMMITMENTS	-	-
	A. Revocable Loan Assignment Commitments	-	-
	B. Others	-	-
IV-	FOREIGN CURRENCY AND INTEREST RELATED TRANSACTIONS	1,686,636	1,076,468
	A. Forward Foreign Currency Purchase-Sales Transactions	1,286,488	663,793
	a) Forward Foreign Currency Purchase Transactions	628,553	403,979
	b) Forward Foreign Curreny Sales Transactions	657,935	259,814
	B. Money and Interest Swaps	249,683	301,575
	a) Money Swaps	249,683	301,575
	b) Interest Swaps	-	-
	C. Futures Transations	-	-
	D. Futures Interest Purchase-Sales Transactions	-	-
	a) Future Interest Purchase Transactions	-	-
	b) Future Interest Sales Transactions	-	-
	E. Money and Interest Options	-	-
	a) Money Buy Options	-	-
	b) Money Sell Options	-	-
	c) Interest Buy Options	-	-
	d) Interest Sell Options	-	-
	F. Others	150,465	111,100
V-	OTHER OFF-BALANCE SHEET ACCOUNTS	3,412,001	-
TOTAL		5,643,711	1,434,461

directory of TEB branches
(As of March 2001)

TEB MAIN BRANCH
Tel : (0212) 252 67 67
Fax : (0212) 249 63 10

TEB BAKIRKÖY
Tel : (0212) 543 66 36
Fax : (0212) 543 74 24

TEB BAYRAMPAŞA
Tel : (0212) 565 28 50
Fax : (0212) 565 33 36

TEB BEBEK
Tel : (0212) 287 79 31
Fax : (0212) 287 79 39

TEB BEYLİKDÜZÜ
Tel : (0212) 852 33 80
Fax : (0212) 852 33 91

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

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

TEB GAYRETTEPE
Tel : (0212) 356 21 51
Fax : (0212) 256 21 34

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

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

TEB İKİTELLİ
Tel : (0212) 549 17 05
Fax : (0212) 549 16 43

TEB İMES
Tel : (0216)527 12 01
Fax : (0216)527 12 10

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

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

TEB KOZYATAĞI
Tel : (0216) 410 65 25
Fax : (0216) 410 65 15

TEB KURTKÖY
Tel : (0216) 595 17 07
Fax : (0216) 595 17 08

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

TEB MAÇKA
Tel : (0212) 219 38 70
Fax : (0212) 219 38 71

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

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

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

TEB TELEPATİ CALL CENTRE
Tel : (0212) 444 0 666
Fax : (0212) 292 86 66
Web : www.tebtelepati.com

TEB TRAKYA KURUMSAL
Tel : (0212) 474 03 04
Fax : (0212) 474 15 77

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

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

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

TEB GÜNEY ANADOLU KURUMSAL
Tel : (0322) 453 36 16
Fax : (0322) 453 36 15

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

TEB KAZIM KARABEKİR
Tel : (0312) 384 24 14
Fax : (0312) 384 24 13

TEB ORTA ANADOLU KURUMSAL
Tel : (0312) 447 74 40
Fax : (0312) 447 74 02

TEB OSTİM
Tel : (0312) 385 66 50
Fax : (0312) 385 69 00

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

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

TEB MARMARA KURUMSAL
Tel : (0224) 272 72 00
Fax : (0224) 273 03 98

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

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

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

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

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

TEB İZMİR
Tel : (0232) 489 10 60
Fax : (0232) 482 33 72

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

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

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

TEB GÜLSOKAK
Tel : (0232) 630 91 10
Fax : (0232) 630 91 21

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

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

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

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

TEB KAYSERİ
Tel : (0352) 222 11 23
Fax : (0352) 232 30 18

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

TEB MANİSA O.S.B.
Tel : (0236) 233 45 66
Fax : (0236) 233 04 19

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

TEB MERSİN FREE ZONE
Tel : (0324) 238 83 47
Fax : (0324) 238 83 51

financial calendar

Announcement of financial results:

1st Quarter	: Within six weeks from March 31
2nd Quarter	: Within eight weeks from June 30
3rd Quarter	: Within six weeks from September 30
Year-end	: Within ten weeks from December 31

Annual General Meeting of Shareholders: No later than March 31

enquiries

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

Postal address: TEB Investor Relations Department
Meclis-i Mebusan Caddesi No: 35 Fındıklı 80040 Istanbul Turkey
Tel: (90 212) 251 21 21 Fax: (90 212) 249 65 68

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

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

The computer manipulated pictures in this report are details of Ottoman silk fabrics taken from "Crescent & Rose-Imperial Silks",
a book sponsored by TEB.
Silk is the strongest, most flexible and valuable organic material.

TEB

TÜRK EKONOMİ BANKASI
Meclis-i Mebusan Cad. 35 Fındıklı, 80040 ISTANBUL / TURKEY
Tel: (90 212) 251 21 21 Fax: (90 212) 249 65 68
www.teb.com.tr

Produced by Finar Corporate Design.