

**Türk Ekonomi Bankası  
Anonim Şirketi**

**Unconsolidated Financial Statements  
As of June 30, 2003  
Together With Review Report**

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL  
STATEMENTS  
ORIGINALLY ISSUED IN TURKISH- SEE SECTION III, NOTE XXV)**

**(Convenience Translation of A Report And Financial Statements  
Originally Issued In Turkish - See Section III, Note XXV)**

**TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ  
REVIEW REPORT AS OF JUNE 30, 2003**

We have reviewed the balance sheet of Türk Ekonomi Bankası Anonim Şirketi as of June 30, 2003 and the related statements of income, shareholders' equity and cash flows for the interim period then ended. These financial statements are expressed in the equivalent purchasing power of Turkish lira as of June 30, 2003. These financial statements are the responsibility of the Bank's management. Our responsibility as independent auditors is to issue a review report on these financial statements based on our review.

We conducted our review in accordance with the auditing standards which were determined under the provisions of Banking Law Number 4389. These standards require that the review should be planned and performed to obtain limited assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquires of bank personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly we do not express an opinion.

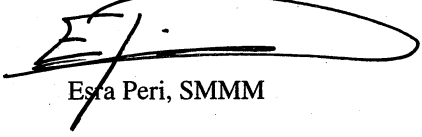
The financial statements of Türk Ekonomi Bankası Anonim Şirketi for the period ended June 30, 2002 were examined by other auditors who have ceased operations and whose report dated July 26, 2002 expressed that nothing has come to their attention that causes them to believe that those interim financial statements were not presented fairly, in all material respects, in accordance with the accounting principles and standards that are based on the Article 13 of the Banking Law number 4389.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements of Türk Ekonomi Bankası Anonim Şirketi at June 30, 2003 are not presented fairly, in all material respects, in accordance with the accounting principles and standards that are based on the Article 13 of the Banking Law number 4389.

**Additional paragraph for convenience translation to English:**

The above mentioned accounting principles differ from International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board and so far as such differences apply to the financial statements of the Bank they mainly relate to the format of financial statements and disclosure requirements, accounting for deferred taxes and accounting for retirement pay liabilities. The effects of the differences between these accounting principles and accounting principles generally accepted in the countries in which the accompanying financial statements are to be used and IFRS 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 the accounting principles generally accepted in the countries of users of the financial statements and IFRS. The Bank's consolidated financial statements prepared in accordance with the accounting principles and standards that are based on the Article 13 of the Banking Law number 4389 will be issued separately.

Güney Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
An Affiliated Firm of Ernst & Young International



Esra Peri, SMMM

August 12, 2003  
Istanbul, Turkey

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS)  
ORIGINALLY ISSUED IN TURKISH- SEE SECTION III, NOTE XXV)**

**INDEX**

	<b>Page no.</b>
<b>SECTION ONE</b>	
General Information	
I. Footnotes and Explanations on the Bank's Service Activities and Operating Areas	1
II. The Explanations and Footnotes Regarding the Including Group of the Bank	1
III. The Explanations Regarding the Interim Financial Statements of the Bank	1
<b>SECTION TWO</b>	
Unconsolidated Interim Financial Statements	
I. Balance Sheets – Assets	3
II. Balance Sheets – Liabilities	4
III. Statements of Income	5
IV. Statements of Off Balance Sheet Commitments	6
V. Statements of Changes in Shareholders' Equity	7
VI. Statements of Cash Flows	8
<b>SECTION THREE</b>	
Accounting Principles	
I. Basis of Presentation	9
II. Explanations on Forward, Option Contracts and Derivative Instruments	10
III. Netting of Financial Assets and Liabilities	10
IV. Interest Income and Expense	10
V. Fees and Commission Income and Expense	10
VI. Securities Held for Trading	11
VII. Sales and Repurchase Agreements and Lending of Securities	11
VIII. Securities Held to Maturity, Securities Available for Sale and Bank Originated Loans and Receivables	11
IX. Participations	12
X. Subsidiaries	12
XI. Originated Loans and Receivables and Provisions for Loan Impairment	12
XII. Goodwill and Other Intangible Fixed Assets	13
XIII. Tangible Fixed Assets	13
XIV. Leasing Transactions	14
XV. Provisions and Contingent Liabilities	14
XVI. Liabilities Regarding Employee Benefits	15
XVII. Taxation	15
XVIII. Additional Explanations on Borrowings	16
XIX. Paid-in Capital and Share Certificates	16
XX. Acceptances	16
XXI. Government Incentives	16
XXII. Securities at Custody	16
XXIII. Impairment of Assets	16
XXIV. Segment Reporting	16
XXV. Other Matters	17
<b>SECTION FOUR</b>	
Information on Financial Structure	
I. Capital Adequacy Standard Ratio	18
II. Market Risk	21
III. Foreign Currency Risk	21
IV. Interest Rate Risk	23
V. Liquidity Risk	25
<b>SECTION FIVE</b>	
Footnotes and Explanations on Unconsolidated Financial Statements	
I. Footnotes and Explanations Related to the Assets	27
II. Footnotes and Explanations Related to the Liabilities	35
III. Footnotes and Explanations Related to the Income Statement	39
IV. Footnotes and Explanations Related to the Off-balance Sheet Commitments	41
V. Footnotes and Explanations Related to the Statements of Cash Flows	43
VI. Footnotes and Explanations on the Risk Group of the Bank	44
VII. Footnotes and Explanations on Inflation Accounting	46
VIII. Explanations Related to Subsequent Events	48
<b>SECTION SIX</b>	
Independent Limited Review Report	
I. The Explanations on the Independent Limited Review Report	48

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ORIGINALLY ISSUED IN TURKISH- SEE SECTION III, NOTE XXV)**

**SECTION ONE**

**GENERAL INFORMATION**

**I- Footnotes and Explanations on the Bank's Service Activities and Operating Areas**

- a) Commercial name of the Bank : Türk Ekonomi Bankası Anonim Şirketi (the Bank)  
Reporting period : 1 January – 30 June 2003  
Address of the head office : Meclis-i Mebusan Caddesi No: 35  
Fındıklı 34427 - İSTANBUL  
Telephone number : (0212) 251 21 21  
Facsimile number : (0212) 249 65 68  
Web page : www.teb.com.tr  
E-mail address : www.teb.com.tr
- b) The Bank's service activities and operating areas: The Bank's operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations.
- c) Financial statements and relevant explanations together with the footnotes are stated in Billions of Turkish Lira.

**II. The Explanations and Footnotes Regarding the Group of the Bank**

The Group of the Bank: Türk Ekonomi Bankası Anonim Şirketi ("the Bank") is included in the Çolakoğlu Group. 70.08% of the shares of the Bank belongs to TEB Mali Yatırımlar Anonim Şirketi (TEB Mali Yatırımlar) and 8.60% of the shares belongs to Çolakoğlu Metalurji Anonim Şirketi.

**III. Explanations on The Interim Financial Statements**

- a) Accounting principles and basis of valuation used in the preparation of year-end financial statements are also used for the preparation of interim financial statements without any changes or exceptions, and are summarized in Section Three below.
- b) There are no transactions realized in the interim period that display a seasonal or a periodical nature.
- c) There are no non-recurring transactions or basic accounting misstatements.
- d) There are no extraordinary items in terms of nature or amount that effect the assets, liabilities, equity, net income or the cash flow of the Bank.
- e) Prior period interim financial statements, do not contain any changes with respect to the estimated values related with the current period. There are no items in the prior period financial statements that are recorded with their estimated value.
- f) There are no convertible bonds or any other debt securities issued during the current period.
- g) In accordance with the decision related with the distribution of profit, declared at the Annual General Meeting of the Bank dated March 27, 2003, the Bank distributed dividends to its shareholders in the current period starting at April 4, 2003.
- h) There are no subsequent events that occurred after the preparation date of the interim financial statements which have a material impact on the interim financial statements.
- i) There are no transactions that may cause a structural change for the Bank such as restructuring, mergers and acquisitions, or discontinue of any operations.
- j) There are no changes in the subsequent commitments and contingencies of the Bank that have arisen after the year-end balance sheet date.

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**SECTION TWO**

**UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS**

- I. Balance Sheets – Assets
- II. Balance Sheets – Liabilities
- III. Statements of Income
- IV. Statements of Off Balance Sheet Commitments
- V. Statements of Changes in Shareholders' Equity
- VI. Statements of Cash Flows

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS  
 ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
**TÜRK EKONOMİ BANKASI A.Ş.**  
**BALANCE SHEETS AS OF JUNE 30, 2003 AND DECEMBER 31, 2002**  
 (Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

**I- BALANCE SHEETS – ASSETS**

ASSETS	Note Ref. (Section five)	Reviewed			Audited		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY</b>		<b>24,040</b>	<b>412,972</b>	<b>437,012</b>	<b>23,252</b>	<b>455,508</b>	<b>478,760</b>
1.1 Cash		10,572	-	10,572	6,755	-	6,755
1.2 Foreign currency		-	61,012	61,012	-	89,875	89,875
1.3 Balances with the Central Bank of Turkey	I-1	13,468	351,960	365,428	16,497	365,633	382,130
<b>II. TRADING SECURITIES (Net)</b>		<b>69,999</b>	<b>11,888</b>	<b>81,887</b>	<b>27,861</b>	<b>3,277</b>	<b>31,138</b>
2.1 Public sector debt securities	I-2	69,999	11,536	81,535	27,861	2,974	30,835
2.1.1 Government bonds	I-2	54,168	655	54,823	21,461	2,974	24,435
2.1.2 Treasury bills	I-2	15,830	-	15,830	6,399	-	6,399
2.1.3 Other	I-2	1	10,881	10,882	1	-	1
2.2 Share certificates		-	-	-	-	-	-
2.3 Other marketable securities		-	352	352	-	303	303
<b>III. BANKS AND OTHER FINANCIAL INSTITUTIONS</b>		<b>44,554</b>	<b>261,698</b>	<b>306,252</b>	<b>25,650</b>	<b>339,125</b>	<b>364,775</b>
3.1 Due from banks		44,554	261,698	306,252	25,650	339,125	364,775
3.1.1 Domestic banks		39,514	91,519	131,033	25,650	117,920	143,570
3.1.2 Foreign banks		5,040	170,179	175,219	-	221,205	221,205
3.2 Other financial institutions		-	-	-	-	-	-
<b>IV. MONEY MARKET PLACEMENTS</b>		<b>153,850</b>	<b>90,089</b>	<b>243,939</b>	<b>253,325</b>	<b>199,241</b>	<b>452,566</b>
4.1 Interbank money market placements		153,850	90,089	243,939	253,325	199,241	452,566
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
<b>V. SECURITIES AVAILABLE FOR SALE (Net)</b>		<b>8</b>	<b>29,018</b>	<b>29,026</b>	<b>10</b>	<b>18,790</b>	<b>18,800</b>
5.1 Share certificates	I-3	8	-	8	10	-	10
5.2 Other marketable securities	I-3	-	29,018	29,018	-	18,790	18,790
<b>VI. LOANS</b>		<b>433,523</b>	<b>457,322</b>	<b>890,845</b>	<b>396,907</b>	<b>496,974</b>	<b>893,881</b>
6.1 Short term	I-4	395,410	436,402	831,812	368,121	478,649	846,770
6.2 Medium and long term	I-4	32,913	20,920	53,833	23,254	18,325	41,579
6.3 Loans under follow-up	I-4	20,231	-	20,231	22,532	-	22,532
6.4 Specific provisions (-)	I-4	(15,031)	-	(15,031)	(17,000)	-	(17,000)
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. SECURITIES HELD TO MATURITY (Net)</b>		<b>38,367</b>	-	<b>38,367</b>	<b>40,752</b>	-	<b>40,752</b>
8.1 Public sector debt securities	I-5	38,367	-	38,367	40,752	-	40,752
8.1.1 Government bonds	I-5	38,367	-	38,367	40,752	-	40,752
8.1.2 Treasury bills	I-5	-	-	-	-	-	-
8.1.3 Other	I-5	-	-	-	-	-	-
8.2 Other marketable securities	I-5	-	-	-	-	-	-
<b>IX. INVESTMENTS AND ASSOCIATES (Net)</b>		<b>6,180</b>	-	<b>6,180</b>	<b>6,291</b>	-	<b>6,291</b>
9.1 Financial investments and associates	I-6	6,180	-	6,180	6,291	-	6,291
9.2 Non-Financial investments and associates		-	-	-	-	-	-
<b>X. SUBSIDIARIES (Net)</b>		<b>66,194</b>	<b>49,009</b>	<b>115,203</b>	<b>64,014</b>	<b>48,767</b>	<b>112,781</b>
10.1 Financial subsidiaries	I-7	66,194	49,009	115,203	64,014	48,767	112,781
10.2 Non-Financial subsidiaries		-	-	-	-	-	-
<b>XI. OTHER INVESTMENTS (Net)</b>		-	-	-	-	-	-
<b>XII. FINANCE LEASE RECEIVABLES (Net)</b>		-	-	-	-	-	-
12.1 Gross finance lease receivables	I-8	-	-	-	-	-	-
12.2 Unearned income (-)	I-8	-	-	-	-	-	-
<b>XIII. RESERVE DEPOSITS</b>		<b>9,624</b>	<b>113,193</b>	<b>122,817</b>	<b>10,302</b>	<b>136,738</b>	<b>147,040</b>
<b>XIV. MISCELLANEOUS RECEIVABLES</b>		<b>417</b>	<b>461</b>	<b>878</b>	<b>291</b>	<b>43</b>	<b>334</b>
<b>XV. ACCRUED INTEREST AND INCOME RECEIVABLES</b>		<b>28,755</b>	<b>3,724</b>	<b>32,479</b>	<b>26,821</b>	<b>3,756</b>	<b>30,577</b>
15.1 Loans	I-9	7,916	2,952	10,868	10,403	2,924	13,327
15.2 Marketable securities	I-9	6,571	531	7,102	4,466	416	4,882
15.3 Other	I-9	14,268	241	14,509	11,952	416	12,368
<b>XVI. PROPERTY AND EQUIPMENT (Net)</b>		<b>39,987</b>	-	<b>39,987</b>	<b>41,507</b>	-	<b>41,507</b>
16.1 Book value		93,339	-	93,339	93,357	-	93,357
16.2 Accumulated depreciation (-)		(53,352)	-	(53,352)	(51,850)	-	(51,850)
<b>XVII. INTANGIBLE ASSETS [Net]</b>		<b>3,603</b>	-	<b>3,603</b>	<b>3,303</b>	-	<b>3,303</b>
17.1 Goodwill		-	-	-	-	-	-
17.2 Other		8,211	-	8,211	7,347	-	7,347
17.3 Accumulated amortization (-)		(4,608)	-	(4,608)	(4,044)	-	(4,044)
<b>XVIII. OTHER ASSETS</b>	I-10	<b>17,922</b>	<b>3,089</b>	<b>21,011</b>	<b>20,991</b>	<b>1,990</b>	<b>22,981</b>
<b>TOTAL ASSETS</b>		<b>937,023</b>	<b>1,432,463</b>	<b>2,369,486</b>	<b>941,277</b>	<b>1,704,209</b>	<b>2,645,486</b>

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

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**TÜRK EKONOMİ BANKASI A.Ş.**  
**BALANCE SHEETS AS OF JUNE 30, 2003 AND DECEMBER 31, 2002**  
 (Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

**II- BALANCE SHEETS - LIABILITIES**

LIABILITIES	Note Ref. (Section five)	Reviewed			Audited		
		Current Period 30.06.2003			Prior Period 31.12.2002		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>		<b>391,990</b>	<b>1,172,148</b>	<b>1,564,138</b>	<b>397,767</b>	<b>1,487,807</b>	<b>1,885,574</b>
1.1 Bank deposits	II-1	30,411	43,688	74,099	20,410	46,412	66,822
1.2 Saving deposits	II-1	186,748	-	186,748	182,331	-	182,331
1.3 Public sector deposits	II-1	10,863	-	10,863	39	-	39
1.4 Commercial deposits	II-1	119,253	-	119,253	157,966	-	157,966
1.5 Other institutions deposits	II-1	44,715	-	44,715	37,021	-	37,021
1.6 Foreign currency deposits	II-1	-	1,119,135	1,119,135	-	1,416,364	1,416,364
1.7 Precious metals deposit accounts	II-1	-	9,325	9,325	-	25,031	25,031
<b>II. MONEY MARKET BALANCES</b>		<b>21,930</b>	<b>-</b>	<b>21,930</b>	<b>25,416</b>	<b>-</b>	<b>25,416</b>
2.1 Interbank money market takings		-	-	-	-	-	-
2.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
2.3 Funds provided under repurchase agreements	II-2	21,930	-	21,930	25,416	-	25,416
<b>III. FUNDS BORROWED</b>		<b>21,138</b>	<b>278,378</b>	<b>299,516</b>	<b>17,775</b>	<b>275,445</b>	<b>293,220</b>
3.1 Funds borrowed from the Central Bank of Turkey		-	-	-	-	-	-
3.2 Other funds borrowed	II-3	21,138	278,378	299,516	17,775	275,445	293,220
3.2.1 Domestic banks and institutions	II-3	21,138	22,389	43,527	17,775	13,538	31,313
3.2.2 Foreign banks, institutions and funds	II-3	-	255,989	255,989	-	261,907	261,907
<b>IV. MARKETABLE SECURITIES ISSUED (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1 Bills	II-4	-	-	-	-	-	-
4.2 Asset backed securities	II-4	-	-	-	-	-	-
4.3 Bonds	II-4	-	-	-	-	-	-
<b>V. FUNDS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VI. MISCELLANEOUS PAYABLES</b>	II-6	<b>12,056</b>	<b>27,873</b>	<b>39,929</b>	<b>12,097</b>	<b>27,462</b>	<b>39,559</b>
<b>VII. OTHER EXTERNAL RESOURCES</b>	II-7	<b>42,473</b>	<b>14,019</b>	<b>56,492</b>	<b>20,785</b>	<b>7,363</b>	<b>28,148</b>
<b>VIII. TAXES AND OTHER DUTIES PAYABLE</b>		<b>9,222</b>	<b>-</b>	<b>9,222</b>	<b>6,630</b>	<b>-</b>	<b>6,630</b>
<b>IX. FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. FINANCE LEASE PAYABLES (Net)</b>		<b>-</b>	<b>6,022</b>	<b>6,022</b>	<b>-</b>	<b>7,520</b>	<b>7,520</b>
10.1 Finance Lease Payables	II-8	-	7,257	7,257	-	9,113	9,113
10.2 Deferred finance lease expenses (-)	II-8	-	1,235	1,235	-	1,593	1,593
<b>XI. ACCRUED INTEREST AND EXPENSES PAYABLE</b>		<b>33,523</b>	<b>2,328</b>	<b>35,851</b>	<b>13,884</b>	<b>2,716</b>	<b>16,600</b>
11.1 Deposits	II-9	7,427	1,364	8,791	5,845	1,128	6,973
11.2 Borrowings	II-9	1,638	964	2,602	1,808	1,588	3,396
11.3 Repurchase agreements	II-9	23	-	23	31	-	31
11.4 Other	II-9	24,435	-	24,435	6,200	-	6,200
<b>XII. PROVISIONS</b>		<b>26,148</b>	<b>-</b>	<b>26,148</b>	<b>30,267</b>	<b>-</b>	<b>30,267</b>
12.1 General provisions	II-10	6,753	-	6,753	6,792	-	6,792
12.2 Reserve for employee termination benefits	II-10	912	-	912	1,032	-	1,032
12.3 Provisions for income taxes	II-10	17,947	-	17,947	21,840	-	21,840
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions	II-10	536	-	536	603	-	603
<b>XIII. SUBORDINATED LOANS</b>	II-10	<b>-</b>	<b>21,115</b>	<b>21,115</b>	<b>-</b>	<b>27,418</b>	<b>27,418</b>
<b>XIV. SHAREHOLDERS' EQUITY</b>		<b>289,060</b>	<b>63</b>	<b>289,123</b>	<b>285,134</b>	<b>-</b>	<b>285,134</b>
14.1 Paid-in capital	II-11	55,125	-	55,125	55,125	-	55,125
14.2 Supplementary capital		209,152	63	209,215	209,371	-	209,371
14.2.1 Share premium	II-12	-	-	-	-	-	-
14.2.2 Share cancellation profits		-	-	-	-	-	-
14.2.3 Marketable securities value increase fund		5	63	68	224	-	224
14.2.4 Revaluation fund		-	-	-	-	-	-
14.2.5 Value increase in revaluation fund		-	-	-	-	-	-
14.2.6 Other capital reserves		-	-	-	-	-	-
14.2.7 Effect on inflation accounting on share capital		209,147	-	209,147	209,147	-	209,147
14.3 Profit reserves		2,390	-	2,390	-	-	-
14.3.1 Legal reserves		2,390	-	2,390	-	-	-
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		-	-	-	-	-	-
14.3.4 Other profit reserves		-	-	-	-	-	-
14.4 Profit or loss		22,393	-	22,393	20,638	-	20,638
14.4.1 Prior year income/loss		2,275	-	2,275	-	-	-
14.4.2 Current year income/loss		20,118	-	20,118	20,638	-	20,638
<b>TOTAL LIABILITIES</b>		<b>847,540</b>	<b>1,521,946</b>	<b>2,369,486</b>	<b>809,755</b>	<b>1,835,731</b>	<b>2,645,486</b>

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

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)**  
**TÜRK EKONOMİ BANKASI A.Ş.**  
**STATEMENTS OF INCOME FOR THE INTERIM PERIOD ENDED JUNE 30, 2003 AND 2002**  
**(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

	Note Ref.	Reviewed	Reviewed	Reviewed	Not Reviewed
		Current Period 30.06.2003	Prior Period 30.06.2002	01.04.2003 - 30.06.2003	01.04.2002 - 30.06.2002
<b>INCOME AND EXPENSES</b>	<b>(Section five)</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>
<b>I. INTEREST INCOME</b>	III-1	<b>159,764</b>	<b>197,619</b>	<b>74,266</b>	<b>100,915</b>
1.1 Interest on loans		82,250	87,453	39,847	46,389
1.1.1 Interest on TL loans		69,320	72,255	33,829	38,029
1.1.1.1 Short term loans		65,803	67,847	32,682	35,381
1.1.1.2 Medium and long term loans		3,517	4,408	1,147	2,648
1.1.2 Interest on foreign currency loans		12,770	14,932	5,966	8,164
1.1.2.1 Short term loans		12,128	14,366	5,669	7,898
1.1.2.2 Medium and long term loans		642	566	297	266
1.1.3 Interest on loans under follow-up		160	266	52	196
1.1.4 Premiums received from Resource Utilisation Support Fund		-	-	-	-
1.2 Interest received from reserve deposits		2,815	1,924	1,308	928
1.3 Interest received from banks		13,730	5,973	6,811	3,136
1.3.1 The Central Bank of Turkey		-	-	-	-
1.3.2 Domestic banks		10,416	3,688	5,321	2,124
1.3.3 Foreign banks		3,314	2,285	1,490	1,012
1.4 Interest received from money market transactions		48,196	56,467	19,945	22,339
1.5 Interest received from marketable securities portfolio		12,561	45,529	6,243	28,010
1.5.1 Trading securities		2,217	45,529	1,220	28,010
1.5.2 Available-for-sale securities		791	-	49	-
1.5.3 Held to maturity securities		9,553	-	4,974	-
1.6 Other interest income		212	273	112	113
<b>II. INTEREST EXPENSE</b>	III-2	<b>92,857</b>	<b>103,452</b>	<b>52,953</b>	<b>47,832</b>
2.1 Interest on deposits		62,879	62,908	31,668	26,557
2.1.1 Bank deposits		5,145	4,972	2,688	3,178
2.1.2 Saving deposits		33,734	30,501	17,061	11,912
2.1.3 Public sector deposits		-	4	-	3
2.1.4 Commercial deposits		12,401	17,422	5,786	6,623
2.1.5 Other institutions deposits		195	41	100	(33)
2.1.6 Foreign currency deposits		11,323	9,895	6,015	4,837
2.1.7 Precious metals vault accounts		81	73	18	37
2.2 Interest on money market transactions		-	36	-	1
2.3 Interest on funds borrowed		8,904	20,510	4,306	8,450
2.3.1 The Central Bank of Turkey		-	-	-	-
2.3.2 Domestic banks		4,267	3,782	2,189	1,778
2.3.3 Foreign banks		4,637	14,101	2,117	5,326
2.3.4 Other financial institutions		-	2,627	-	1,346
2.4 Interest on securities issued		-	-	-	-
2.5 Other interest expense		21,074	19,998	16,979	12,824
<b>III. NET INTEREST INCOME (I - II)</b>		<b>66,907</b>	<b>94,167</b>	<b>21,313</b>	<b>53,083</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>9,232</b>	<b>10,666</b>	<b>4,387</b>	<b>4,417</b>
4.1 Fees and commissions received		16,658	15,791	7,966	7,180
4.1.1 Cash loans		1,872	1,361	822	534
4.1.2 Non-cash loans		4,502	4,010	2,257	1,939
4.1.3 Other		10,284	10,420	4,887	4,707
4.2 Fees and commissions paid		7,426	5,125	3,579	2,764
4.2.1 Cash loans		1,327	743	671	(380)
4.2.2 Non-cash loans		17	23	12	17
4.2.3 Other		6,082	4,359	2,896	3,127
<b>V. DIVIDEND INCOME</b>		-	-	-	-
5.1 Trading securities		-	-	-	-
5.2 Available-for-sale securities		-	-	-	-
<b>VI. NET TRADING INCOME</b>		<b>20,856</b>	<b>(1,173)</b>	<b>25,768</b>	<b>(7,295)</b>
6.1 Profit/losses on trading account securities (Net)		12,705	2,937	10,837	1,170
6.2 Foreign exchange gains/losses (Net)		8,151	(4,110)	14,931	(8,465)
<b>VII. PROFIT/LOSS FROM HELD TO MATURITY MARKETABLE SECURITIES</b>	III-3	-	-	-	-
<b>VIII. OTHER OPERATING INCOME</b>	III-4	<b>8,384</b>	<b>6,779</b>	<b>3,503</b>	<b>3,525</b>
<b>IX. TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>		<b>105,379</b>	<b>110,439</b>	<b>54,971</b>	<b>53,729</b>
<b>X. PROVISION FOR LOAN LOSSES OR OTHER RECEIVABLES (-)</b>	III-5	<b>2,361</b>	<b>9,555</b>	<b>939</b>	<b>644</b>
<b>XI. OTHER OPERATING EXPENSES (-)</b>	III-6	<b>58,751</b>	<b>58,549</b>	<b>29,024</b>	<b>32,459</b>
<b>XII. NET OPERATING INCOME (IX-X-XI)</b>		<b>44,267</b>	<b>42,335</b>	<b>25,008</b>	<b>20,626</b>
<b>XIII. PROFIT/LOSSES FROM ASSOCIATES AND SUBSIDIARIES</b>	III-7	<b>11,668</b>	<b>3,825</b>	<b>121</b>	<b>438</b>
<b>XIV. NET POSITION INCOME/EXPENSE</b>		<b>(20,160)</b>	<b>(20,544)</b>	<b>824</b>	<b>(6,670)</b>
<b>XV. INCOME BEFORE TAXES (XII+XIII+ XIV)</b>		<b>35,775</b>	<b>25,616</b>	<b>25,953</b>	<b>14,394</b>
<b>XVI. PROVISION FOR TAXES ON INCOME (-)</b>		<b>15,657</b>	<b>11,376</b>	<b>10,183</b>	<b>3,132</b>
<b>XVII. NET OPERATING INCOME/EXPENSE AFTER TAXES (XV-XVI)</b>		<b>20,118</b>	<b>14,240</b>	<b>15,770</b>	<b>11,262</b>
<b>XVIII. EXTRAORDINARY INCOME/EXPENSE AFTER TAXES</b>		-	<b>(1,259)</b>	-	<b>(1,259)</b>
18.1 Extraordinary net income/expense before taxes		-	-	-	(1,259)
18.1.1 Extraordinary income		-	-	-	-
18.1.2 Extraordinary expense (-)		-	(1,259)	-	(1,259)
18.2 Provision for taxes on extraordinary income		-	-	-	-
<b>XIX. NET PROFIT/LOSSES (XVII+XVIII)</b>	III-8	<b>20,118</b>	<b>12,981</b>	<b>15,770</b>	<b>10,003</b>
<b>XX. Earnings/Losses per share</b>		<b>182.47</b>	<b>117.74</b>	<b>143.03</b>	<b>90.71</b>

The accompanying notes are an integral part of these statements.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)

TÜRK EKONOMİ BANKASI A.Ş.

STATEMENTS OF CONTINGENCIES AND COMMITMENTS AS OF JUNE 30, 2003 AND  
DECEMBER 31, 2002

(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

IV- STATEMENTS OF OFF-BALANCE SHEET COMMITMENTS

OFF BALANCE SHEET COMMITMENTS	Note Ref. (Section five)	Reviewed			Audited		
		Current Period 30.06.2003			Prior Period 31.12.2002		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>A. OFF BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>655,501</b>	<b>1,369,975</b>	<b>2,025,476</b>	<b>586,006</b>	<b>1,545,250</b>	<b>2,131,256</b>
<b>I. GUARANTEES</b>	IV-2,3	<b>325,610</b>	<b>613,928</b>	<b>939,538</b>	<b>291,967</b>	<b>608,644</b>	<b>900,611</b>
1.1. Letters of guarantee		325,538	246,775	572,313	291,887	283,275	575,162
1.1.1. Guarantees subject to State Tender Law		34,889	69	34,958	31,778	282	32,060
1.1.2. Guarantees given for foreign trade operations		77,313	15,510	92,823	77,750	10,587	88,337
1.1.3. Other letters of guarantee		213,336	231,196	444,532	182,359	272,406	454,765
1.2. Banks loans		-	43,754	43,754	-	44,992	44,992
1.2.1. Import letter of acceptance		-	43,754	43,754	-	44,992	44,992
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		72	318,511	318,583	80	271,873	271,953
1.3.1. Documentary letters of credit		72	278,931	279,003	80	229,272	229,352
1.3.2. Other letters of credit		-	39,580	39,580	-	42,601	42,601
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Securities issue purchase guarantees		-	-	-	-	-	-
1.7. Other guarantees		-	-	-	-	-	-
1.8. Other collaterals		-	4,888	4,888	-	8,504	8,504
<b>II. COMMITMENTS</b>		<b>194,460</b>	<b>126,688</b>	<b>321,148</b>	<b>202,034</b>	<b>367,010</b>	<b>569,044</b>
2.1. Irrevocable commitments		194,460	126,688	321,148	202,034	367,010	569,044
2.1.1. Asset purchase commitments		-	-	-	1,115	-	1,115
2.1.2. Deposit purchase and sales commitments		6,000	126,688	132,688	-	367,010	367,010
2.1.3. Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		94,821	-	94,821	125,857	-	125,857
2.1.5. Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		400	-	400	-	-	-
2.1.7. Commitments for credit card limits		93,239	-	93,239	75,062	-	75,062
2.1.8. Other irrevocable commitments	IV-2	-	-	-	-	-	-
2.2. Revocable commitments		-	-	-	-	-	-
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>135,431</b>	<b>629,359</b>	<b>764,790</b>	<b>92,005</b>	<b>569,596</b>	<b>661,601</b>
3.1. Forward foreign currency buy/sell transactions		135,431	434,162	569,593	92,005	237,153	329,158
3.1.1. Forward foreign currency transactions-buy		50,620	226,459	277,078	23,414	139,825	163,240
3.1.2. Forward foreign currency transactions-sell		84,811	207,703	292,515	68,591	97,328	165,918
3.2. Swap transactions related to f.c. and interest rates		-	185,095	185,095	-	332,443	332,443
3.2.1. Foreign currency swap-buy		-	92,794	92,794	-	-	-
3.2.2. Foreign currency swap-sell		-	92,301	92,301	-	165,432	165,432
3.2.3. Interest rate swaps-buy		-	-	-	-	-	-
3.2.4. Interest rate swaps-sell		-	-	-	-	167,011	167,011
3.3. Foreign currency and interest rate options		-	-	-	-	-	-
3.3.1. Foreign currency options-buy		-	-	-	-	-	-
3.3.2. Foreign currency options-sell		-	-	-	-	-	-
3.3.3. Interest rate options-buy		-	-	-	-	-	-
3.3.4. Interest rate options-sell		-	-	-	-	-	-
3.4. Foreign currency futures		-	10,102	10,102	-	-	-
3.4.1. Foreign currency futures-buy		-	5,051	5,051	-	-	-
3.4.2. Foreign currency futures-sell		-	5,051	5,051	-	-	-
3.5. Interest rate futures		-	-	-	-	-	-
3.5.1. Interest rate futures-buy		-	-	-	-	-	-
3.5.2. Interest rate futures-sell		-	-	-	-	-	-
3.6. Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V)</b>		<b>1,680,255</b>	<b>420,643</b>	<b>2,100,898</b>	<b>1,288,226</b>	<b>428,327</b>	<b>1,716,553</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>1,225,118</b>	<b>276,248</b>	<b>1,501,366</b>	<b>901,397</b>	<b>286,425</b>	<b>1,187,822</b>
4.1. Assets under management		-	-	-	-	-	-
4.2. Investment securities held in custody		508,675	163,666	672,341	313,989	161,469	475,458
4.3. Checks received for collection		687,753	50,011	737,764	573,379	49,267	622,646
4.4. Commercial notes received for collection		27,604	15,990	43,594	14,029	23,373	37,402
4.5. Other assets received for collection		1,086	46,581	47,667	-	52,316	52,316
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		-	-	-	-	-	-
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>455,137</b>	<b>144,395</b>	<b>599,532</b>	<b>386,829</b>	<b>141,902</b>	<b>528,731</b>
5.1. Marketable securities		16,983	9,445	26,428	10,295	9,329	19,624
5.2. Guarantee notes		7,467	1,156	8,623	6,920	1,470	8,390
5.3. Commodity		206,295	12,745	219,040	210,235	-	210,235
5.4. Warranty		-	-	-	-	-	-
5.5. Immovables		120,265	50,420	170,685	124,568	41,300	165,868
5.6. Other pledged items		104,127	70,629	174,756	34,811	89,803	124,614
5.7. Pledged items-depository		-	-	-	-	-	-
<b>TOTAL COMMITMENTS (A+B)</b>		<b>2,335,756</b>	<b>1,790,618</b>	<b>4,126,374</b>	<b>1,874,232</b>	<b>1,973,577</b>	<b>3,847,809</b>

The accompanying notes are an integral part of these statements.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.Ş.  
STATEMENTS OF SHAREHOLDERS' EQUITY AS OF JUNE 30, 2003 AND DECEMBER 31, 2002  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

**V- STATEMENTS OF SHAREHOLDERS' EQUITY**

Current Period	Note Ref.	Paid-in Capital	Effect of inflation Accounting on Capital	Share premium	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Revaluation Fund	Value Increase Fund Revaluation Fund	Marketable Securities Value Increase Fund	Total
1		55,125	209,147	-	-	-	-	-	20,638	-	-	-	224	285,134
<b>Increases in the period :</b>														
2		-	-	-	-	-	-	-	-	-	-	-	-	-
2.1		-	-	-	-	-	-	-	-	-	-	-	-	-
3		-	-	-	-	-	-	-	-	-	-	-	-	-
3.1		-	-	-	-	-	-	-	-	-	-	-	-	-
4		-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Transferred Amount :</b>														
5		-	-	-	-	-	-	-	-	-	-	-	-	-
5.1		-	-	-	-	-	-	-	-	-	-	-	-	-
6		-	-	-	-	-	-	-	-	-	-	-	-	-
6.1		-	-	-	-	-	-	-	-	-	-	-	-	-
6.2		-	-	-	-	-	-	-	20,118	-	-	-	-	-
7		-	-	-	-	-	-	-	(20,638)	-	-	-	-	-
8		-	-	-	-	-	-	-	-	(15,973)	-	-	-	-
9		-	-	-	2,390	-	-	-	-	18,248	-	-	-	-
10		-	-	-	2,390	-	-	-	-	2,275	-	-	-	-
<b>Closing Balance - June 30 2003 (1+2+3+4+5+6+7+8+9+10)</b>														

Prior Period	Note Ref.	Paid-in Capital	Effect of inflation Accounting on Capital	Share premium	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Revaluation Fund	Value Increase Fund Revaluation Fund	Marketable Securities Value Increase Fund	Total
1		55,125	458,414	-	56,297	-	-	-	(19,374)	(286,189)	-	-	-	264,273
<b>Increases in the period :</b>														
2		-	-	-	-	-	-	-	-	-	-	-	-	-
2.1		-	-	-	-	-	-	-	-	-	-	-	-	-
3		-	-	-	-	-	-	-	-	-	-	-	-	-
3.1		-	-	-	-	-	-	-	-	-	-	-	-	-
4		-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Transferred Amount :</b>														
5		-	-	-	-	-	-	-	-	-	-	-	-	-
5.1		-	-	-	-	-	-	-	-	-	-	-	-	-
6		-	-	-	-	-	-	-	-	-	-	-	-	-
6.1		-	-	-	-	-	-	-	-	-	-	-	-	-
6.2		-	-	-	-	-	-	-	12,981	-	-	-	-	-
7		-	-	-	-	-	-	-	-	-	-	-	-	-
8		-	-	-	-	-	-	-	-	-	-	-	-	-
9		-	-	-	-	-	-	-	-	(19,374)	-	-	-	-
10		-	-	-	56,297	-	-	-	-	(305,563)	-	-	-	-
<b>Closing Balance - June 30 2002 (1+2+3+4+5+6+7+8+9+10)</b>														

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
STATEMENTS OF CASH FLOWS AS OF JUNE 30, 2003 AND  
DECEMBER 31, 2002  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

<b>VI- STATEMENTS OF CASH FLOWS</b>		<b>Current Period</b>	<b>Prior Period</b>
		<b>01.01.2003</b>	<b>01.01.2002</b>
		<b>- 30.06.2003</b>	<b>- 30.06.2002</b>
		<b>Note Ref</b>	
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1</b>	<b>Operating profit before changes in operating assets and liabilities(+)</b>	<b>29,142</b>	<b>27,582</b>
1.1.1	Interest received(+)	160,003	188,923
1.1.2	Interest paid(-)	(91,841)	(97,971)
1.1.3	Dividend received(+)	-	3,825
1.1.4	Fees and commissions received(+)	16,658	15,791
1.1.5	Other income(+)	18,841	8,457
1.1.6	Collections from previously written off loans and other receivables(+)	2,248	1,918
1.1.7	Payments to personnel and service suppliers(-)	(27,055)	(23,966)
1.1.8	Taxes paid(-)	(40,769)	(32,234)
1.1.9	Other	(8,943)	(37,161)
<b>1.2</b>	<b>Changes in operating assets and liabilities</b>	<b>(88,495)</b>	<b>(40,261)</b>
1.2.1	Net (increase) decrease in trading securities(+/-)	50,749	(10,454)
1.2.2	Net (increase) decrease in due from banks and other financial institutions(+/-)	129,350	(2,581)
1.2.3	Net (increase) decrease in loans	2,704	(173,952)
1.2.4	Net (increase) decrease in other assets(+/-)	(715)	(978)
1.2.5	Net increase (decrease) in bank deposits(+/-)	7,277	19,921
1.2.6	Net increase (decrease) in other deposits(+/-)	(332,199)	36,653
1.2.7	Net increase (decrease) in funds borrowed(+/-)	6,296	120,639
1.2.8	Net increase (decrease) in matured payables(+/-)	-	-
1.2.9	Net increase (decrease) in other liabilities(+/-)	48,043	(29,509)
<b>I.</b>	<b>Net cash provided from banking operations(+/-)</b>	<b>(59,353)</b>	<b>(12,679)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II.</b>	<b>Net cash provided from investing activities(+/-)</b>	<b>(12,861)</b>	<b>(95,741)</b>
2.1	Cash paid for purchase of investments, associates and subsidiaries(-)	-	(17,895)
2.2	Cash obtained from sale of investments, associates and subsidiaries(+)	-	-
2.3	Fixed assets purchases(-)	(2,659)	(1,690)
2.4	Fixed assets sales(+)	1,813	3,189
2.5	Cash paid for purchase of securities available for sale (-)	(29,026)	-
2.6	Cash obtained from sale of securities available for sale (+)	18,800	-
2.7	Cash paid for purchase of investment securities(-)	(2,008)	(175,970)
2.8	Cash obtained from sale of investment securities(+)	219	96,625
2.9	Extraordinary items(+/-)	-	-
2.10	Other (+/-)	-	-
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III.</b>	<b>Net cash provided from financing activities(+/-)</b>	<b>(16,088)</b>	<b>(1,918)</b>
3.1	Cash obtained from funds borrowed and securities issued(+)	-	-
3.2	Cash used for repayment of funds borrowed and securities issued(-)	-	-
3.3	Capital increase(+)	-	-
3.4	Dividends paid(-)	(15,973)	-
3.5	Payments for finance leases(-)	(115)	(1,918)
3.6	Extraordinary items(+/-)	-	-
3.7	Other(+/-)	-	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>(91,246)</b>	<b>18,092</b>
<b>V.</b>	<b>Net increase / (decrease) in cash and cash equivalents(I+II+III)</b>	<b>(179,548)</b>	<b>(92,246)</b>
<b>VI.</b>	<b>Cash and cash equivalents at beginning of the year(+)</b>	<b>1,148,258</b>	<b>1,217,176</b>
<b>VII.</b>	<b>Cash and cash equivalents at end of the year</b>	<b>968,710</b>	<b>1,124,930</b>

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003 AND DECEMBER 31, 2002  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

## **SECTION THREE**

### **ACCOUNTING PRINCIPLES**

#### **I- Basis of Presentation**

The Bank prepares its financial statements in accordance with the "Accounting Application Regulations" (AAR) based on Article 13 named as "Accounting and Recording System" of the Banking Law 4389 and related communiqués and related explanations and further communiqués that add or cause a change on the content of the relevant communiqués.

#### **Restatement of Financial Statements in Accordance with The Current Period Purchasing Power**

The "Accounting Standard on Financial Statements at Hyperinflation Periods", Communiqué No:14 of "Accounting Application Regulations" (AAR) became effective from July 1, 2002.

In accordance with the communiqué No:14, the Bank's financial statements should be restated, taking the current period equivalent purchasing power of Turkish lira into account. In other words, Communiqué No:14 states that, financial statements prepared in terms of the domestic currency of a country with high inflation rate should be restated in accordance with the equivalent purchasing power of the domestic currency at the balance sheet date. Prior period financial statements should also be restated in their entirety to the measuring unit current at the balance sheet date. One characteristic that necessitates the application of inflation accounting under the provisions of Communiqué No : 14 is a cumulative three-year inflation rate approaching or exceeding 100%. Restatement of financial statements is based on both the principles described in Communiqué No.14 and the wholesale price indices published in its appendix and the wholesale price indices announced by the State Institute of Statistics. Detailed information on the application of inflation accounting is given in the section V, footnote VII, "Footnotes and Explanations on Inflation Accounting" of the following footnotes.

#### **Other Basis of Valuation**

Other basis of valuation used for assets and liabilities in the preparation of financial statements are explained among the accounting principles for the related assets and liabilities.

#### **Changes in Accounting Policies and Valuation Methods in the Current Period**

##### **Changes in Accounting Policies**

Until September 30, 2002, the Bank's financial statements were being prepared in accordance with the Uniform Chart of Accounts, standard balance sheet, income statement, supplementary financial statements and footnotes to these financial statements and the explanations related to the applications of such financial statements and the accounting and valuation principles thereto that are based on the article 13 of the Banking Law 4389 as revised by Law Number 4672 and 4491 and the "Accounting Standard on Financial Statements at Hyperinflation Periods", Communiqué No:14, published at Official Gazette dated June 22, 2002 and numbered 24793 and which is related to the "Regulation of Accounting Applications" and became effective from July 1, 2002. After October 1, 2002, the Bank's financial statements are prepared in accordance with the accounting policies explained below and included in both Communiqué No:14 and the other communiqués related to the Regulation of Accounting Applications effective from October 1, 2002. Accordingly, assets and liabilities were classified as of October 1, 2002 in accordance with the provisions of the related communiqués and the required changes for the other accounts were made and the effects of such changes were reflected in the income statement for 2002.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

**II- Explanations on Forward, Option Contracts and Derivative Instruments**

The Bank makes forward currency agreements and swap transactions to reduce the foreign currency risk. In accordance with Communiqué No:1, "Accounting Standards of Financial Instruments" of AAR, derivative financial instruments that are not designated as hedging instruments are classified as held-for-trading and carried at fair value.

Foreign currency forward and swap transactions are evaluated by comparing the period end Bank foreign exchange rates with the forward rate amortized to the balance sheet date since the book values approximate their fair values. The resulting gain or loss is reflected to the income statement.

There are no embedded derivatives separated from the host contract or that are designated as hedging instruments.

Before the effective date of AAR, above-mentioned transactions had been recorded by means of arbitrage accounting, the changes at the foreign currencies had been recorded through evaluation under accounts and the liabilities at the maturity had been followed under off balance sheet commitments. In order to avoid the effects of the changes at the rates on the income statement, the amounts followed under off balance sheet commitments had been evaluated and the generated differences had been recorded under the income and expense accrual accounts.

**Foreign Currency Assets and Liabilities**

Gains or losses arising from foreign currency transactions are reflected in the statement of income as they are realized during the year. Foreign currency assets and liabilities at each year-end are translated into Turkish lira at the year-end foreign exchange buying rates announced by the Bank and the resulting foreign exchange gains or losses are recorded in the statement of income as foreign exchange loss, net. The net investment in foreign entities as of the related year-ends were translated into Turkish lira by applying the exchange rates prevailing at respective dates. The resulting foreign exchange gains or losses are recorded in the statement of income.

The differences resulting from the translation of the securities issued and monetary financial assets into Turkish lira are reflected to the statement of income.

**III- Netting of Financial Assets and Liabilities**

Financial assets and liabilities are netted off when the Parent Bank has a legal right and sanction regarding netting off, and when the Bank has the intention of collecting or paying the net amount of related assets and liabilities or when the Bank has the right to off set the assets and liabilities simultaneously. There is no netting of financial assets and liabilities at the accompanying financial statements as of June 30, 2003.

**IV- Interest Income and Expense**

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method. In accordance with the related regulation, the due and not due interest accruals of the non-performing loans are cancelled and interest income related to these loans are recorded as interest income only when collected.

**V- Fees and Commission Income and Expense**

Commission income and fees for various banking services in the period of collection.

Fees and commissions for funds borrowed paid to other financial institutions, which is a part of the transaction costs, are recorded as prepaid expenses and considered as a part of interest of the related funds borrowed and accordingly, recorded as expense monthly.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

The dividend income is reflected to the financial statements on cash basis when the profit distribution is realized by the participations and the subsidiaries.

**VI- Securities Held for Trading**

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognized at cost. Transaction costs of the related securities are included in the initial cost. The positive difference occurred between the cost and fair value of the marketable security is accounted as interest and income accrual. The negative difference occurred is accounted under marketable security diminution in value account.

Since the foreign currency financial assets held at the same portfolio (Eurobond) do not hold a price formed in an active market and since the fair values of these securities could not be determined reliably, they are valued at amortized cost by using relevant interest rates as stated in the articles 8 and 9 of the AAR's Communiqué No:1, "Accounting Standards of Financial Instruments."

**VII- Sales and Repurchase Agreements and Lending of Securities**

The Bank has been following the repurchase agreements made with the clients as a balance sheet item since February 1, 2002 in accordance with the Uniform Chart of Accounts. Accordingly, the government bonds and treasury bills sold to clients under repurchase agreements are recorded under the related securities account in the financial statements and are valued according to the valuation principles of the related account. Funds obtained by repurchase agreements are classified as a separate sub account under money markets account in the liabilities. The interest expense accruals calculated by means of effective interest method for the funds obtained by means of repurchase agreements are reflected to the interest and other expense accruals account in the balance sheet.

The above-mentioned transactions are short term and consists of domestic public sector debt securities.

The income and expenses generated from above mentioned operations are reflected to the "Interest Income on Marketable Securities" and "Interest Expense on Marketable Securities subject to Repurchase Agreement" accounts in the statement of income.

As of June 30, 2003, the Bank does not have any reverse repo transactions (December 31, 2002 – None).

As of June 30, 2003, the Bank does not have any lent marketable securities (December 31, 2002 – None).

**VIII- Securities Held to Maturity, Securities Available for Sale and Bank Originated Loans and Receivables**

Securities held to maturity are obtained with the intention of holding till the maturity of the security, and accordingly, including the funding abilities, the relevant conditions for this exist. This portfolio includes securities with fixed or determinable payments and with a fixed maturity, excluding bank originated loans and receivables.

Securities available for sale include all securities other than bank originated loans and receivables, securities held to maturity and securities held for trading.

The marketable securities are initially recognized at cost including the transaction costs.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)**

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003**

**AND DECEMBER 31, 2002 (Continued)**

**(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

Foreign currency denominated financial assets included in the available for sale securities portfolio (Eurobonds) is stated by translating the cost value to Turkish lira at The Bank's exchange rates. The differences generated from the translation is reflected to foreign currency gains and losses account at the relevant period. Since these securities do not hold a price formed in an active market and since the fair values of these securities could not be determined reliably, they are valued at amortized cost by using relevant interest rates as stated in the articles 8 and 9 of the AAR's Communiqué No:1, "Accounting Standards of Financial Instruments." The differences between the cost and the valued amounts are reflected to the income accrual accounts.

Loans and receivables originated by the Bank are those generated by lending money and exclude those that are held with the intention of trading or selling in near future.

Held to maturity securities are remeasured at amortized cost by using original effective interest rate and reserve for impairment in value is provided, if any.

The interests received from securities held to maturity are recorded as interest income. There are no dividends related with any marketable securities that are held to maturity.

There are no financial assets that were previously classified as securities held to maturity but cannot be currently classified as held to maturity for the next two years due to the breaching of "tainting" rules by the Bank.

The Bank classifies securities according to above-mentioned portfolios at the acquisition date of the related security.

The sale and purchase transactions of the securities held to maturity are recorded at the delivery dates.

Prior to the effective date of AAR, the Bank had initially recorded marketable securities held with the intention of not selling till maturity (investment portfolio), which were given as collateral at cost, and the income accruals of these securities were calculated by straight line method and reflected to the financial statements.

**IX- Participations**

Turkish lira participations which are quoted at the stock exchange are valued at fair value and any positive difference between fair value price and cost is included under shareholders' equity at "Marketable Securities Value Increase Fund" account in the financial statements. The others are valued by means of restating their costs and the capital increases after deducting the ones generated by means of adding the values accumulated at the revaluation like funds to the capital of the participations, with the rates applicable for the relevant dates. A provision is provided when there is a permanent diminution in value.

**X- Subsidiaries**

Turkish lira subsidiaries are valued by means of restating their costs and the capital increases after deducting the ones generated by means of adding the values accumulated at the revaluation like funds to the capital of the subsidiaries, with the rates applicable for the relevant dates. Foreign currency denominated subsidiaries are valued with year-end foreign exchange rates. A provision is provided when there is a permanent diminution in value of the subsidiaries.

**XI- Originated Loans and Receivables and Provisions for Loan Impairment**

The Bank initially records originated loans and receivables at cost, and at the following periods, in accordance with the AAR, Communiqué No:1, these loans are remeasured at amortized cost by means of effective interest rate method. The taxes, transaction expenses and other expenses paid for the guarantees taken for the originated loans are taken into consideration while calculating the banks financing cost and these are reflected to the interest rates of the loans.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

Cash loans are recorded in accordance with the regulations stated at the Communiqué on the Uniform Chart of Accounts and Its Explanations.

Provision is set for the loans that may be doubtful and the amount is expensed at the current period. The provisioning criteria for the non-performing loans are determined by the Bank's management for compensating the probable losses of the current loan portfolio, by means of evaluating the portfolio for its quality and risk factors and by means of considering the economical conditions, other facts and related regulations.

Allowances are computed and reflected in accordance with the Banking Law No.4389 as revised by Law Number 4672 and 4491, Article 3, Sub Article 11 and Article 11, Sub Article 12 published on the Official Gazette No. 24448 dated 30.06.2001 on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" amended by Communiqués dated 31.01.02 in the current period financial statements. Furthermore, a general reserve of 0.5% is being provided for the cash loans and other receivables and 0.1 % is provided for non-cash loans. These provisions are reflected to the statement of income under "Provision and Diminishing in Value Expenses – Special Provision Expense". The collection made regarding these loans are first deducted from the principal amount of the loan and the remaining collections are deducted from interest receivables.

The collections made regarding the current year provision of the above mentioned loans are deducted from the "Provision for Loans and Other Receivables" account in the income statement. The collections made related to the previous years' written-off loans or allowances are recorded under "Other Operating Income" account and interest incomes are recorded under the "Interest Received from Non-performing Loans" account.

Release of provision are removed by means of reversing the amount to the "Provision and Diminishing in Value Expense – Provision Expense" account. Allowances recorded in the previous periods and lost its necessity in the current period are credited to "Collections Regarding Previous Year's Expenses" account.

## **XII- Goodwill and Other Intangible Fixed Assets**

There is no goodwill regarding the participations and subsidiaries.

The intangible fixed assets are reflected with their restated costs in accordance with inflation accounting and depreciated with straight-line method. The depreciation rate is 20%. The cost of assets subject to depreciation is restated after deducting the exchange differences, capitalized financial expenses and revaluation increases, if any, from the cost of the assets.

Major group classified as other intangible fixed assets by the Bank is softwares. While determining the depreciation periods of these, the essentials of General Tax Regulations are taken in to consideration and no special criteria are used. The useful lives of these assets are determined as 5 years. Softwares mainly used are developed within the Bank by the Bank's personnel, and the expenses regarding these are not capitalized. Software is purchased only in emergency cases and for special projects.

There are no expected changes in the accounting estimates about the depreciation rate and method and residual values for the current and future periods.

## **XIII- Tangible Fixed Assets**

Buildings are reflected to the financial statements at their restated costs and reserve for impairment is provided, if any. In accordance with the Communiqué No:14, buildings are valued by real estate expertise companies and the expertise value is higher than the restated costs at June 30, 2003. The straight-line method for depreciation is used and economical life is accepted to be 50 years.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

Other tangible fixed assets are reflected with their restated cost in accordance with inflation accounting, and depreciated by straight-line depreciation method. The depreciation rate is 20%. A prorata basis is used for depreciating assets held less than one year as of the balance sheet date. The leasehold improvements are depreciated in accordance with the lease period by means of straight-line method. The annual rates used, which approximate rates based on the estimated economic lives of the related assets, are as follow:

	%
Buildings	2
Motor vehicles	20
Furniture, fixtures and office equipment	20
Leasehold improvements	Lease period-not less than 5 years

Gain profit or loss resulting from disposals of the tangible fixed assets are reflected to the statement of income as the difference between the net proceeds and net book value.

The repairment costs of the tangible fixed assets are capitalized if the operation lengthens the economic life of the asset. Otherwise the repairment costs are expensed. There are no pledge, mortgage or other restrictions on the tangible fixed assets.

There are no purchase commitments related to the tangible fixed assets.

There are no expected changes in the accounting estimates, which could have a significant impact on the current and future periods.

#### **XIV- Leasing Transactions**

Leasing of fixed assets are recorded in accordance with AAR, Article 7 of the Communiqué No:4, "Accounting Standard for Leasing Transactions." In accordance with the above-mentioned article, the leasing transactions, which consist only foreign currency liabilities, are translated to Turkish lira with the exchange rates effective at the transaction dates and they are recorded both as an asset and a liability. The foreign currency liabilities are translated to Turkish lira with the Bank's period end exchange rate. The increases resulting from the differences in the foreign exchange rates are recorded as expense in the relevant period. Rent payments consist of financing costs generated due to leasing, and the amount of the leased asset corresponding to the relevant period. The financing cost resulting from leasing is distributed through the agreement period to form a fixed interest rate.

In addition to interest expense, the Bank records depreciation expense in each period for the leased assets. The depreciation rate is determined in accordance with "Accounting Standard of Tangible Fixed Assets" and the depreciation rate is 20%.

Operating lease expenses are recognized as expense in the income statements in the periods in which they are incurred.

The Bank has no leasing transactions as lessor.

#### **XV- Provisions and Contingent Liabilities**

The provisions and contingent liabilities are determined in accordance with the Communiqué No:8 of AAR, except for the general and specific provisions set for the loans and other receivables. Liabilities generated from previous events are recorded by the Bank immediately at the estimated amounts.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

**XVI- Liabilities Regarding Employee Benefits**

In accordance with the existing social legislation, the Bank is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Bank over the wage for 30 days and the notice pay is determined by the relevant notice period time calculated over the years worked within the Bank. In accordance with AAR, Communiqué No:10, the Bank sets provision for retirement and notice pay liabilities by taking the actual payment rates for the previous 5 years into consideration.

The Bank has no employees contracted for determined periods.

As of June 30, 2003 and December 31, 2002, the arithmetical averages of the actual payments realized for the previous five years are 8.35% and 8.44% respectively and this forms the base of the provision amount that will be set for the retirement and notice pay liabilities.

The Bank employees are members of Tebliler foundation. The Bank does not have any liability to this foundation.

There are no liabilities that require additional provisions related to other employee rights.

**XVII- Taxation**

***Corporate tax***

In accordance with the incumbent tax Law, Corporate Tax is computed over statutory net income that is subject to tax, without taking into account the effects of inflation accounting.

In line with the new tax Law number 4842, published in the Official Gazette dated April 24, 2003, starting with the current year income, the corporate tax rate to be applied is 30 % (December 31, 2002 – 33%, including fund share). Corporate tax is to be paid in a lump sum payment within the specified period allowed by the law for the declaration of tax.

As long as the Bank does not distribute the yearly income for 2003, there will not be any withholding taxes with regards to this income.

The addition of current year profit to the share capital will not be regarded as a profit distribution and thus, will be exempt from any withholding taxes.

The Bank's distribution of profit to "Fully-liable" institutions will also be exempt from any withholding taxes. The Bank's distribution of profit to real persons, "semi-liable" institutions, and those institutions that are not liable and or exempt from both corporation tax and income tax, will be subject to withholding taxes.

In accordance with the Tax Procedural Code explained above, in every three-month period the Bank's tax assessment is made and the temporary corporate tax is calculated over the income generated in the three-month period at a rate of 30% and paid in cash up to the fifth day of the second month following the period. The corporate tax provision is recorded under "Provisions and Diminishing in Value Expenses-Tax Provision" account and expensed at every three month period end. At the corporate tax payment periods, the cash payments made are deducted from the tax liability calculated over the yearly income and the remaining liability is paid in cash.

In accordance with the Tax Procedural Code, the losses presented in the tax declarations can be deducted from the tax assessments at the current period within five years.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

In Turkey, tax returns are filed during 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.

***Deferred tax***

Certain income and expense items are taxable in periods different from those in which they are recognized in the financial statements. Deferred taxes on such timing differences are calculated and reflected in full in the accompanying financial statements. The Bank does not compute deferred tax on the effects of inflation accounting.

As of June 30, 2003 and December 31, 2002, the deferred tax asset is included in other assets in the accompanying balance sheet and the deferred tax provision is stated under the tax provision in the accompanying income statement.

**XVIII- Additional Explanations on Borrowings**

The Bank has not issued any debt securities.

The Bank has not issued convertible bonds. There are no debt securities issued by the Bank.

**XIX- Paid-in Capital and Share Certificates**

The Bank does not have any costs related to share issue as of June 30, 2003. In the General Assembly meeting of the Bank, dated March 27, 2002, it was decided that the profit for the year 2002 will be distributed to the shareholders after providing the legal reserves, which will amount to 276 (Nominal full TL) of dividend for every 1,000 TL nominal shares owned by each shareholder. The payment of dividends to the shareholders were started at April 4, 2003 and completed as of June 30, 2003.

**XX- Acceptances**

Acceptances are realized simultaneously with the payment dates of the clients and they are presented as commitments in off-balance sheet accounts.

There are no acceptances presented as liabilities against any assets.

**XXI- Government Incentives**

There are no government incentives utilized by the Bank.

**XXII- Securities at Custody**

Securities at custody held by the Bank on behalf of clients are not reflected to the financial statements since they are not Bank's assets.

**XXIII- Impairment of Assets**

At every balance sheet date, the evidence on impairment in value of assets is evaluated objectively for existence. When an evidence regarding impairment in value exists, the market value of the asset is determined. The difference between book and net realizable values of the asset is recorded as provision for impairment in the balance sheet and as an expense in the income statement.

**XXIV- Segment Reporting**

Segment reporting will be made effective January 1, 2004.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

**XXV- Other Matters**

*Explanation for convenience translation to English*

The accounting principles used in the preparation of the accompanying financial statements differ from International Financial Reporting Standards (IFRS) and so far as such differences apply to the financial statements of the Bank they relate mainly, but not limited, to the format of financial statements and disclosure requirements, accounting for deferred taxes and reserve for retirement pay liabilities. The effects of the differences between these accounting principles and the accounting principles generally accepted in the countries in which the accompanying financial statements are to be used and IFRS 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 IFRS. The Bank's consolidated financial statements prepared in accordance with the accounting principles and standards that are based on the Article 13 of the Banking Law number 4389 will be issued separately.

There are no other matters required to be disclosed.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

## **SECTION FOUR**

### **INFORMATION ON FINANCIAL STRUCTURE**

#### **I- Capital Adequacy Standard Ratio**

The method used for risk measurement for capital adequacy standard ratio is performed in accordance with the Communiqué on "Measurement and Assessment of Banks Capital Adequacies ", which was published on January 31, 2002 in the Official Gazette numbered 24657. As of June 30, 2003, the Bank's capital adequacy ratio is % 14.96 (December 31, 2002 - %15.40).

In the computation of capital adequacy standard ratio, information prepared in accordance with statutory accounting requirements are used. Additionally, the market risk amount is calculated in accordance with the communiqué on the "Internal Control and Risk Management Systems of the Banks" and is taken in to consideration in the capital adequacy standard ratio calculation

The values deducted from the capital in the shareholders' equity computation are not considered while calculating risk-weighted assets, non-cash loans and contingent liabilities. Assets subject to depreciation and depletion among risk-weighted assets are included in the calculations over their net book values after the relative depreciations and provisions are deducted.

When calculating the basic amounts subject to credit risk regarding the transactions on the non-cash loans, the net receivable amount from the counter parties found by means of deducting the provision amount set in accordance with the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" is multiplied by the rates presented at the Clause 1, Article 21 of the "Communiqué on Regulations on the Establishment and Operations of Banks", and included in the related risk group and weighted by the related group's risk.

Receivables from counter parties generated from foreign currency and interest rate transactions are included in the related risk group at the loan conversion rates stated in Clause 2, Article 21 of the "Communiqué on Regulations on the Establishment and Operations of Banks" and weighted for a second time by the weight of the related risk group.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

Information related to the capital adequacy ratio:

	Risk Weight			
	0%	20%	50%	100%
<b>Risk Weighted Assets, Liabilities and Non-Cash Loans</b>				
Balance Sheet items (Net)	844,543	300,652	38,434	873,726
Cash	71,584	-	-	-
Due from banks	365,428	300,652	-	5,600
Interbank money market placements	243,939	-	-	-
Receivables from reverse repo transactions	-	-	-	-
Reserve deposits	122,817	-	-	-
Special finance houses	-	-	-	-
Loans	32,982	-	38,434	814,229
Loans under follow-up (Net)	-	-	-	5,200
Subsidiaries, associates and investments held to maturity	-	-	-	-
Miscellaneous receivables	-	-	-	878
Marketable securities held to maturity (Net)	-	-	-	-
Advances for assets acquired by financial leasing	-	-	-	-
Financial lease receivables	-	-	-	-
Leased assets (Net)	-	-	-	-
Fixed assets (Net)	-	-	-	33,964
Other assets	7,793	-	-	13,855
Off balance sheet items	146,584	393,615	262,602	39,281
Guarantees and pledges	16,527	387,889	68,142	24,321
Commitments	126,688	-	194,460	-
Other off balance sheet items	-	-	-	-
Transactions related with derivative financial instruments	-	-	-	4,085
Interest and income accruals	3,369	5,726	-	10,875
Non risk weighted accounts	-	-	-	-
	991,127	694,267	301,036	913,007
<b>Total Risk Weighted Assets</b>	-	138,853	150,518	913,007

Summary information related to the capital adequacy ratio:

	Current Period	Prior Period
Total Risk Weighted Assets (*)	1,247,112	1,229,328
Shareholders' Equity	186,619	189,301
Shareholders' Equity / Total risk weighted assets (CAR (%))	14.96	15.40

(\*) As of June 30, 2003, the amount includes TL 44,734 (2002 - TL 21,933) of market risk amount.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
**TÜRK EKONOMİ BANKASI A.S.**  
**NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003**  
**AND DECEMBER 31, 2002 (Continued)**  
**(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

**Information related to the shareholders' equity components :**

	Current Period	Prior Period
<b>MAIN CAPITAL</b>		
Paid-in Capital	55,125	55,125
Nominal capital	55,125	55,125
Capital commitments (-)	-	-
Effect on Inflation Accounting on Share Capital	209,147	209,147
Share Premium	-	-
Legal Reserves	2,390	-
First legal reserve (Turkish Commercial Code 466/1)	2,390	-
Second legal reserve (Turkish Commercial Code 466/2)	-	-
Other legal reserve per special legislation	-	-
Statute Reserves	-	-
Extraordinary reserves	-	-
Reserves allocated by the General Assembly	-	-
Retained earnings	-	-
Accumulated loss	-	-
Foreign currency share capital exchange difference	-	-
Profit	22,393	20,638
Current period profit	20,118	20,638
Prior period profit	2,275	-
Loss (-)	-	-
Current period loss	-	-
Prior period loss	-	-
<b>Total Main Capital</b>	<b>289,055</b>	<b>284,910</b>
<b>SUPPLEMENTARY CAPITAL</b>		
Revaluation Fund	-	-
Furniture, fixture and vehicles	-	-
Buildings	-	-
Profit on sale of associates, subsidiaries and buildings to be transferred to share capital	-	-
Revaluation fund of leasehold improvement	-	-
Increase in the Value of Revaluation Fund	-	-
Foreign Exchange Differences	-	-
General Reserves	6,753	6,792
Provisions for Possible Losses	-	-
Subordinated Loans	21,115	27,418
Marketable Securities and Investment Securities Value Increase Fund	68	224
Associates and subsidiaries	68	224
Available for sale securities	-	-
Structured positions	-	-
<b>Total Supplementary Capital</b>	<b>27,936</b>	<b>34,434</b>
<b>TIER III CAPITAL</b>		
<b>CAPITAL</b>	<b>316,991</b>	<b>319,344</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>130,372</b>	<b>130,043</b>
Investments in unconsolidated financial companies whose main activities are money and capital markets, insurance and that operate with licenses provided in accordance with special laws	121,383	119,072
Leasehold improvements	6,023	7,113
Start-up costs	-	-
Prepaid expenses	2,966	3,858
The negative difference between the market values and the carrying amounts for unconsolidated investments, subsidiaries, other investments and fixed assets	-	-
Subordinated loans given to other banks which operate in Turkey	-	-
Goodwill (Net)	-	-
Capitalized expenses	-	-
<b>Total Shareholder's Equity</b>	<b>186,619</b>	<b>189,301</b>

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)****TÜRK EKONOMİ BANKASI A.S.****NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003****AND DECEMBER 31, 2002 (Continued)****(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)****II- Market Risk**

The Bank has determined market risk management operations and has taken the necessary precautions in order to hedge market risk within its financial risk management purposes, in accordance with the Communiqué on "Internal Control and Risk Management Systems of Banks" announced in the Official Gazette dated February 8, 2001.

The interest rate and exchange rate risks of the financial positions taken by the Bank related to balance sheet and off-balance sheet accounts are measured and while calculating the capital adequacy, the amount subject to VAR is taken into consideration by the standard method. Scenario analysis and stress tests are used additionally in market risk computations.

In order to measure the market risk of the Bank, the Board of Directors has determined risk management strategies in accordance with the proposals of the Top Management Risk Committee and these strategies are forced to be followed up periodically. The Board of Directors evaluates the basic risks faced and determines limitations accordingly. The limits are revised periodically. Additionally the Board of Directors has urged the risk management group and the top management to take necessary precautions to consider, evaluate, control and to control the variety of risks the Bank faces.

	Amount
Capital to be employed for interest rate risk – standard method	2,431
Capital to be employed for general market risk	2,431
Capital to be employed for specific risk	-
Capital to be employed for options subject to interest rate risk	-
Capital to be employed for common stock position risk – Standard method	-
Capital to be employed for general market risk	-
Capital to be employed for specific risk	-
Capital to be employed for options subject to common stock position risk	-
Capital to be employed for currency risk – Standard method	1,148
Capital liability	1,148
Capital to be employed for options subject to currency risk	-
Total Value-at-risk (VAR)-Internal Model	-
Total capital to be employed for market risk	3,579
Amount subject to market risk	44,734

**III- Foreign Currency Risk**

Foreign currency risk indicates the possibilities of the potential losses that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into account. Net short and long position of Turkish Lira equivalent of each foreign currency is calculated. The value, which will be a base for calculating the share capital requirement, is computed by taking the higher absolute value of the position by adding to absolute net gold position. Share capital requirement is computed over of this amount. The Board of Directors sets limits for the positions, which are followed up daily. Additionally, possible value changes in the existing or possible foreign currency positions are observed together with the follow-up of the foreign currency risk in accordance with the provisions of the "Communiqué on Internal Control and Risk Management Systems of Banks".

As an element of the Bank's risk management strategies, foreign currency liabilities are hedged against exchange rate risk by derivative instruments.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)**

**TÜRK EKONOMİ BANKASI A.S.**

**NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003**

**AND DECEMBER 31, 2002 (Continued)**

**(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

The Board of Directors of the Bank determines the short position limits that the Bank can hold in accordance with the present legal limitations. The Treasury Department of the Bank is responsible for the management of Turkish Lira or foreign currency price, liquidity and affordability risks that could occur in the domestic and international markets. The Risk Control Department continuously controls risk and risk related transactions occurring in the money markets and prepares weekly reports for the Bank's Asset-Liability Committee. The related principles and limitations of the counterparties are determined by the Loan Committee. The limits concerning the maturity structure of the foreign currency transactions and interest rates are examined by the Asset-Liability Committee.

As of June 30, 2003, the Bank's net short position is TL 11,156 (December 31, 2002 – TL 726) resulting from short position amounting to TL 30,405 (December 31, 2002 - TL 41,647) on the balance sheet and long position amounting to TL 19,249 (December 31, 2002 - TL 40,921) on the off-balance sheet.

The announced current foreign exchange buying rates of the Bank at the balance sheet date and the previous five working days are as follows:

	<b>23/6/03</b>	<b>24/6/03</b>	<b>25/6/03</b>	<b>26/6/03</b>	<b>27/6/03</b>	<b>30/6/03</b>
<b>USD</b>	1,425,412	1,430,099	1,431,814	1,426,927	1,421,717	1,407,647
<b>CHF</b>	1,070,660	1,077,748	1,076,602	1,062,049	1,048,790	1,035,502
<b>GBP</b>	2,364,948	2,384,162	2,385,588	2,375,020	2,352,848	2,322,246
<b>JPY</b>	12,052	12,118	12,160	12,006	11,849	11,712
<b>EUR</b>	1,646,066	1,653,338	1,650,882	1,637,255	1,623,601	1,609,503

The simple arithmetical average of the major current foreign exchange buying rates of the Bank for the thirty days before the balance sheet date is as follows:

	<b>Monthly Average Foreign Exchange Rate</b>
<b>USD</b>	1,418,523
<b>CHF</b>	1,072,841
<b>GBP</b>	2,354,887
<b>JPY</b>	11,958
<b>EUR</b>	1,655,554

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

**Information on the foreign currency risk of the Bank:**

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>YEN</b>	<b>OTHER FC</b>	<b>TOTAL</b>
<b>Assets</b>					
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	21,824	388,543	-	2,605	412,972
Due from other banks and financial institutions	17,819	184,294	403	59,182	261,698
Trading securities (***)	1,298	10,457	-	352	12,107
Investment securities available-for-sale	-	29,018	-	-	29,018
Loans (**)	210,768	297,007	-	8,343	516,118
Investments in subsidiaries and participations	49,009	-	-	-	49,009
Investment securities held-to-maturity	-	-	-	-	-
Property and equipment	-	-	-	-	-
Goodwill	-	-	-	-	-
Other assets	20,530	187,042	-	2,984	210,556
<b>Total Assets</b>	<b>321,248</b>	<b>1,096,361</b>	<b>403</b>	<b>73,466</b>	<b>1,491,478</b>
<b>Liabilities</b>					
Bank deposits	3,905	7,948	119	31,716	43,688
Foreign currency deposits (*)	246,361	843,536	574	37,989	1,128,460
Funds provided from other financial institutions	6,819	292,208	-	466	299,493
Marketable securities issued	-	-	-	-	-
Miscellaneous payables	10,494	16,172	-	1,207	27,873
Other liabilities	3,634	18,008	-	727	22,369
<b>Total liabilities</b>	<b>271,213</b>	<b>1,177,872</b>	<b>693</b>	<b>72,105</b>	<b>1,521,883</b>
Net Balance Sheet Position	50,035	(81,511)	(290)	1,361	(30,405)
Net Off-Balance Sheet Position	(47,769)	67,758	-	(740)	19,249
Financial derivative assets	123,723	189,432	-	11,149	324,304
Financial derivative liabilities	171,492	121,674	-	11,889	305,055
Non-cash loans (****)	180,617	402,468	6,287	24,556	613,928
<b>Prior Period</b>					
Total Assets	396,433	1,281,968	20,663	95,020	1,794,084
Total Liabilities	296,363	1,454,169	226	84,973	1,835,731
Net Balance Sheet Position	100,070	(172,201)	20,437	10,047	(41,647)
Net Off-Balance Sheet Position	(98,996)	168,691	(20,158)	(8,616)	40,921
Non-cash loans	184,397	391,877	7,456	24,914	608,644

(\*) Gold account deposits amounting to TL 9,325 (December 31, 2002 – TL 25,031) are included in the foreign currency deposits.

(\*\*) foreign currency indexed loans amounting to TL 58,796 (December 31, 2002 – TL 89,632) are included in the loan portfolio.

(\*\*\*) Foreign currency indexed government bonds and treasury bills amounting to TL 219 (December 31, 2002 – TL 243) are included in the trading portfolio.

(\*\*\*\*) There are no effects on the net off-balance sheet position.

#### **IV- Interest Rate Risk**

Interest rate risk shows the loss probability related to the changes in the interest rates depending on the Bank's position, and it is managed by the Treasury Department. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method. The first step at calculation of interest rate risk, is to place the instruments subject to interest rate risk in the appropriate one of the 13 maturity sections according to the remaining time to maturity or to the repricing. At the second step, the instruments with variety of maturities are weighted according to their risks for reflecting the interest rate risk volatilities that match their maturities.

The first priority of the Bank's risk management is to protect from interest rate volatility. All types of sensitivity analysis performed within the context is calculated by the risk management and reported to the Asset-Liability Committee.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)**  
**TÜRK EKONOMİ BANKASI A.S.**  
**NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003**  
**AND DECEMBER 31, 2002 (Continued)**  
**(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

Work is performed regarding interest income according to the macro economical indicators in the Bank's budget estimations and the effects of the market interest fluctuations on the financial position and cash flow are purified at the maximum level possible by means of target revisions.

The Bank management follows the market interest rates daily and determines the interest rates of the Bank when necessary.

Since the Bank does not permit or imposes limits, on maturity mismatches it is not expected that the Bank will face a significant interest rate risk.

**Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates):**

	Up to 1 Months	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Demand	Total
<b>Current Period</b>							
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	488,245	-	-	-	-	71,584	559,829
Due from banks and other financial institutions	423,267	17,500	14,493	4,000	-	90,931	550,191
Trading securities	1,472	3,032	9,591	21,494	46,298	-	81,887
Securities available-for-sale	8	-	-	6,572	22,446	-	29,026
Loans	360,003	236,310	156,105	78,345	54,882	-	885,645
Securities held-to-maturity	1,743	36,350	-	274	-	-	38,367
Other assets	9,936	8,402	3,518	7,008	889	194,788	224,541
<b>Total Assets</b>	<b>1,284,674</b>	<b>301,594</b>	<b>183,707</b>	<b>117,693</b>	<b>124,515</b>	<b>357,303</b>	<b>2,369,486</b>
<b>Liabilities</b>							
Bank deposits	60,801	12,098	1,200	-	-	-	74,099
Other deposits	1,350,553	108,186	29,064	2,236	-	-	1,490,039
Miscellaneous payables	-	-	-	-	-	39,929	39,929
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	41,031	12,715	257,039	5,906	3,940	-	320,631
Other liabilities	40,656	8,834	7,051	2,356	4,906	380,985	444,788
<b>Total Liabilities</b>	<b>1,493,041</b>	<b>141,833</b>	<b>294,354</b>	<b>10,498</b>	<b>8,846</b>	<b>420,914</b>	<b>2,369,486</b>
Balance Sheet Interest Sensitivity Gap	(208,367)	159,761	(110,647)	107,195	115,669	(63,611)	-
Off Balance Sheet Interest Sensitivity Gap	-	-	-	-	-	-	-
<b>Total Interest Sensitivity Gap</b>	<b>(208,367)</b>	<b>159,761</b>	<b>(110,647)</b>	<b>107,195</b>	<b>115,669</b>	<b>(63,611)</b>	<b>-</b>

The other assets line at the without interest column consists of tangible fixed assets amounting to TL 39,987, intangible fixed assets amounting to TL 3,603, participations amounting to TL 6,180 and subsidiaries amounting to TL 115,203 and the other liabilities line consists of shareholders' equity with a total amount of TL 289,123.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

	Up to 1 Month	1-3 Month	3-6 Months	6-12 Months	1 Year and Over	Demand	Total
<b>Prior Period</b>							
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	529,171	-	-	-	-	96,888	626,059
Due from banks and other financial institutions	721,694	12,263	8,917	2,856	-	71,611	817,341
Trading securities	2,818	14,108	6,922	6,560	428	302	31,138
Investment securities available-for-sale	-	18,790	-	-	-	10	18,800
Loans	364,679	179,348	238,332	60,072	45,918	-	888,349
Investment securities held-to-maturity	231	40,521	-	-	-	-	40,752
Other assets	-	-	-	-	-	223,047	223,047
<b>Total Assets</b>	<b>1,618,593</b>	<b>265,030</b>	<b>254,171</b>	<b>69,488</b>	<b>46,346</b>	<b>391,858</b>	<b>2,645,486</b>
<b>Liabilities</b>							
Banks deposits	65,525	182	1,115	-	-	-	66,822
Other deposits	1,658,400	132,980	11,489	15,443	440	-	1,818,752
Miscellaneous payables	-	-	-	-	-	39,559	39,559
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	4,548	204,684	19,770	91,636	-	-	320,638
Other liabilities	122	388	627	1,051	5,334	392,193	399,715
<b>Total Liabilities</b>	<b>1,728,595</b>	<b>338,234</b>	<b>33,001</b>	<b>108,130</b>	<b>5,774</b>	<b>431,752</b>	<b>2,645,486</b>
On Balance Sheet Interest Sensitivity Gap	(110,002)	(73,204)	221,170	(38,642)	40,572	(39,896)	-
Off Balance Sheet Interest Sensitivity Gap	-	-	-	-	-	-	-
<b>Total Interest Sensitivity Gap</b>	<b>(110,002)</b>	<b>(73,204)</b>	<b>221,170</b>	<b>(38,642)</b>	<b>40,572</b>	<b>(39,896)</b>	<b>-</b>

The other assets line at the without interest column consists of tangible fixed assets amounting to TL 41,507, intangible fixed assets amounting to TL 3,303, participations amounting to TL 6,291 and subsidiaries amounting to TL 112,781 and the other liabilities line consists of shareholders' equity with a total amount of TL 285,134.

**Average interest rates applied to monetary financial instruments:**

	EURO %	USD %	Yen %	TL %
<b>Current Period</b>				
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	1.00	0.39	-	25.00
Due from banks and other financial institutions	-	1.37	-	40.91
Trading securities	10.58	10.68	-	54.30
Securities available-for-sale	-	10.23	-	-
Loans	5.96	6.20	6.36	48.63
Securities held-to-maturity	-	-	-	58.18
<b>Liabilities</b>				
Bank deposits	3.37	2.10	4.33	39.64
Other deposits	3.05	3.03	3.04	33.20
Miscellaneous payables	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	4.51	2.98	5.93	39.23

**V- Liquidity Risk**

Liquidity risk occurs when there is not sufficient amount of cash or cash flows to fulfill the cash outflows completely and on time, resulting from the unstable cash inflows.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)****TÜRK EKONOMİ BANKASI A.S.****NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003****AND DECEMBER 31, 2002 (Continued)****(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

Liquidity risk may occur when the market penetration is not enough, when the open positions cannot be closed urgently with a suitable price and sufficient amount due to barriers and break-ups at the markets.

The Bank's policy is to establish a liquid asset structure that can afford all kinds of liabilities by liquid sources. In this scope liquidity problem does not happen at any period. The Board of Directors of the Bank continuously determines the liquidity ratios and related standards, and controls them, in order to keep this structure.

There is a system worked on to apply international measurement methods. However, according to the general policies of the Bank, the adaptation of the assets, liabilities, the interest rates to the payments are always established within the asset liability management strategies. A positive difference is tried to be established between the yields of TL and foreign currency assets and liabilities at the balance sheet and their costs. According to this strategy, the Bank pays special attention not to take maturity risk, and no banking service is marketed when the price is lower than the financing cost.

When the funding and liquidity sources are considered, the Bank covers majority of its liquidity need by deposits, and in addition to this source, it makes use of prefinancing and syndication products to generate additional sources. Generally, the Bank does not prefer to utilize liquidity from interbank money markets and is in a net lender position in interbank money markets.

**Presentation of assets and liabilities according to their remaining maturities :**

<b>Current Period</b>	<b>Demand (**)</b>	<b>1-3 Months (*)</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>1 Year and Over</b>	<b>Total</b>
<b>Assets</b>						
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and Balances with the Central Bank of Turkey	559,829	-	-	-	-	559,829
Due from banks and other financial institutions	514,198	17,500	14,493	4,000	-	550,191
Trading securities	809	1,981	9,591	22,051	47,455	81,887
Securities available-for-sale	9	-	-	6,571	22,446	29,026
Loans	360,003	236,310	156,105	78,345	54,882	885,645
Securities held-to-maturity	-	-	-	38,367	-	38,367
Other assets	35,939	7,837	3,518	7,729	940	224,541
<b>Total Assets</b>	<b>1,470,787</b>	<b>263,628</b>	<b>183,707</b>	<b>157,063</b>	<b>125,723</b>	<b>2,369,486</b>
<b>Liabilities</b>						
Bank deposits	60,801	12,098	1,200	-	-	74,099
Other deposits	1,350,553	108,186	29,064	2,236	-	1,490,039
Funds provided from other financial institutions	41,031	12,715	198,387	5,906	62,592	320,631
Marketable securities issued	-	-	-	-	-	-
Miscellaneous payables	39,929	-	-	-	-	39,929
Other liabilities	113,940	8,834	7,051	20,935	294,028	444,788
<b>Total Liabilities</b>	<b>1,606,254</b>	<b>141,833</b>	<b>235,702</b>	<b>29,077</b>	<b>356,620</b>	<b>2,369,486</b>
<b>Net Liquidity Gap</b>	<b>(135,466)</b>	<b>121,795</b>	<b>(51,995)</b>	<b>127,986</b>	<b>(230,897)</b>	<b>-</b>
<b>Prior Period</b>						
<b>Total Assets</b>	<b>1,797,604</b>	<b>218,712</b>	<b>271,052</b>	<b>78,169</b>	<b>106,066</b>	<b>2,645,486</b>
<b>Total Liabilities</b>	<b>1,867,199</b>	<b>160,751</b>	<b>57,192</b>	<b>200,269</b>	<b>360,075</b>	<b>2,645,486</b>
<b>Net Liquidity Gap</b>	<b>(69,595)</b>	<b>57,961</b>	<b>213,860</b>	<b>(122,100)</b>	<b>(254,009)</b>	<b>-</b>

(\*) The maturity of up to 1 month of Interbank funds sold amounting to TL 243,939, loans amounting to TL360,003, and domestic and foreign banks placements amounting to TL 270,259 are shown in the demand column. Furthermore, demand deposits amounting to TL 1,349,097 is included in the other deposits and shown at the demand column.

(\*\*) Total column includes other assets amounting to TL 168,578 consists of TL 121,383 of subsidiaries and participations, TL 39,987 of tangible assets, TL 3,603 of intangible fixed assets, TL 2,966 of prepaid expenses and TL 639 of office supply inventory that are not taken in to consideration at the maturity distribution. Other liabilities which matures up to 1 year and over includes shareholders' equity amounting to TL 289,123.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

## SECTION FIVE

FOOTNOTES AND EXPLANATIONS ON  
UNCONSOLIDATED FINANCIAL STATEMENTS

## I- Footnotes And Explanations Related to the Assets

## 1. Information related to the account of the Central Bank of Turkey:

	Current Period	Prior Period
Demand Unrestricted Amount	13,468	16,498
Time Unrestricted Amount	351,960	365,632
<b>Total</b>	<b>365,428</b>	<b>382,130</b>

## 2. Information about trading portfolio:

- a) Trading securities given as collateral or blocked: None.  
b) Trading securities subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	19,206	-	18,645	-
Treasury bills	1,349	-	6,321	-
Other debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>20,555</b>	<b>-</b>	<b>24,966</b>	<b>-</b>

## 3. Information on available for sale portfolio:

- a) Main types of available for sale securities: public sector debt securities, and other marketable securities and share certificates.  
b) Information on available for sale portfolio:

	Current Period	Prior Period
Debt securities	29,018	18,790
Quoted in a stock exchange	6,571	-
Not quoted	22,447	18,790
Share certificates	8	10
Quoted in a stock exchange	-	-
Not quoted	8	10
Provision for impairment (-)	-	-
<b>Total</b>	<b>29,026</b>	<b>18,800</b>

- c) Available for sale securities given as collateral or blocked: None.  
d) Information on investment securities available-for-sale given as collateral or blocked: None  
e) Information on investment securities available-for-sale subject to repurchase agreements: None.

## (CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)

TÜRK EKONOMİ BANKASI A.S.

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003

AND DECEMBER 31, 2002 (Continued)

(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

## 4. Information on loans :

a) Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	902	1,193	663	7,502
Corporate shareholders	902	1,193	663	7,502
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	674	-	839	-
<b>Total</b>	<b>1,576</b>	<b>1,193</b>	<b>1,502</b>	<b>7,502</b>

b) Information about the first and second group loans and other receivables including loans that have been restructured or rescheduled:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring		
	Cash Loans	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Non-specialized loans		880,793	-	547	4,305
Discount notes		21,526	-	-	-
Export loans		450,772	-	-	-
Import loans		-	-	-	-
Loans given to financial sector		23,575	-	-	-
International loans		29,708	-	-	-
Consumer loans		23,499	-	-	-
Credit cards		16,415	-	-	-
Precious metals loans		5,422	-	547	-
Other		309,777	-	-	4,305
Specialized loans		-	-	-	-
Other receivables		-	-	-	-
<b>Total</b>		<b>880,793</b>	<b>-</b>	<b>547</b>	<b>4,305</b>

c) Information on consumer loans :

	Medium and Long		Total	Interest Income Accrual
	Short Term	Term		
<b>Consumer loans-TL</b>	8,753	5,712	14,465	427
Real estate loans	153	1,000	1,153	30
Automotive loans	1,693	4,535	6,228	138
Consumer loans	-	-	-	-
Personnel loans	634	40	674	19
Other consumer loans	6,273	137	6,410	240
<b>Consumer loans- Indexed to FC</b>	1,342	7,692	9,034	42
Real estate loans	193	2,445	2,638	10
Automotive loans	660	5,068	5,728	24
Consumer loans	489	179	668	8
Personnel loan	-	-	-	-
Other consumer loans	-	-	-	-
<b>Credit cards</b>	16,415	-	16,415	-
<b>Total Consumer Loans</b>	<b>26,510</b>	<b>13,404</b>	<b>39,914</b>	<b>469</b>

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

## d) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	871,887	873,986
Foreign loans	13,758	14,363
<b>Total</b>	<b>885,645</b>	<b>888,349</b>

## e) Loans granted to subsidiaries and investments:

	Current Period	Prior Period
Direct loans granted to subsidiaries and investments	139	205
Indirect loans granted to subsidiaries and investments	-	-
<b>Total</b>	<b>139</b>	<b>205</b>

## f) Specific provisions provided against loans:

	Current Period	Prior Period
Specific provisions		
Loans and receivables with limited collectibility	104	70
Loans and receivables with doubtful collectibility	254	200
Uncollectible loans and receivables	14,673	16,730
<b>Total</b>	<b>15,031</b>	<b>17,000</b>

## g) Information on loans under follow-up account (Net) :

g.1) Information on loans and other receivables included in loans under follow-up account which are restructured or rescheduled: None.

g.2) The movement of loans under follow-up:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Prior period end balance	1,017	400	21,115
Additions (+)	673	-	1,767
Transfers from other categories of loans under follow-up (+)	-	1,108	328
Transfers to other categories of loans under follow-up (-)	1,108	328	-
Collections (-)	85	56	2,144
Write-offs (-)	-	-	29
Index difference (-)	144	40	2,243
Current period end balance	353	1,084	18,794
Specific provision (-)	105	253	14,673
<b>Net Balances on Balance Sheet</b>	<b>248</b>	<b>831</b>	<b>4,121</b>

g.3) Information on foreign currency loans and other receivables under follow-up: None.

## h) Liquidation policies for the uncollectible loans and other receivables :

The loans and other receivables decided to be uncollectible are written off from the assets according to the Tax Law by the decision of the top management in accordance with the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" related to the clause 12 of article 11 and clause 11 of the article 3 of the Bank Law 4389 changed by the laws 4672 and 4491 and announced at the Official Gazette numbered 24448 and dated June 30, 2001.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

5. Information on held to maturity portfolio (Net) :

a) Information on held to maturity portfolio:

	Current Period	Prior Period
Debt securities	38,367	40,752
Quoted in a stock exchange	38,367	40,752
Not quoted	-	-
Provision for impairment (-)	-	-
<b>Total</b>	<b>38,367</b>	<b>40,752</b>

b) Movement of held to maturity portfolio :

	Current Period	Prior Period
Beginning balance	40,752	96,617
Effect of inflation (-)	(4,174)	(22,770)
Foreign currency differences on monetary assets	-	5,890
Purchases during year	2,008	40,752
Disposals through sales and redemptions	(219)	(79,737)
Impairment provision	-	-
<b>Closing Balances</b>	<b>38,367</b>	<b>40,752</b>

c.1) Information on accounts in which investment securities held-to-maturity recorded:

	Current Period				Prior Period			
	Historical Cost		Valuation		Historical Cost		Valuation	
	TL	FC	TL	FC	TL	FC	TL	FC
<b>Held to Maturity Portfolio</b>								
Given as collateral or blocked	38,367	-	37,489	-	40,752	-	41,486	-
Subject to repo transactions	-	-	-	-	-	-	-	-
Held for structural position	-	-	-	-	-	-	-	-
Receivables from securities lending	-	-	-	-	-	-	-	-
Collaterals on securities lending	-	-	-	-	-	-	-	-
<b>Closing Balances</b>	<b>38,367</b>	<b>-</b>	<b>37,489</b>	<b>-</b>	<b>40,752</b>	<b>-</b>	<b>41,486</b>	<b>-</b>

Other than the above items, there are no held to maturity securities which are not given as collateral.

c.2) Marketable securities held to maturity given as collateral consist of public sector debt securities of TL 38,367, given as collateral for statutory requirements.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

Securities held-to-maturity given as collateral or blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bonds and similar investment securities	38,367	-	40,752	-
Other	-	-	-	-
<b>Total</b>	<b>38,367</b>	<b>-</b>	<b>40,752</b>	<b>-</b>

c.3) Securities held-to-maturity subject to repurchase agreements : None.

c.4) Securities held-to-maturity held for structural position: None.

**6. Information on participations (Net):**

a.1) Information on participations :

	Current Period	Prior Period
Balance at the beginning of the period	6,291	5,150
Movements during the period	(111)	1,141
Purchases	-	750
Free shares obtained profit from current year's share	121	434
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	(232)	(43)
Provision for impairment	-	-
<b>Balance at the end of the period</b>	<b>6,180</b>	<b>6,291</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

a.2) Valuation of participations:

	Current Period	Prior Period
Valuation with cost	5,931	5,931
Valuation with fair value	249	360
Valuation with equity method	-	-
<b>Total</b>	<b>6,180</b>	<b>6,291</b>

a.3) Participations which are quoted to a stock exchange:

	Current Period	Prior Period
Other Financial Participation / Varlık Yatırım Ortaklığı A.Ş.	249	360
<b>Total</b>	<b>249</b>	<b>360</b>

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.Ş.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

a.4) Information related to participations:

Description	Address (City / Country)	Bank's share percentage-If different voting percentage(%)	Bank's risk group share percentage (%)
TEB Sigorta A.Ş.	İstanbul /Turkey	50.00	50.00
Varlık Yatırım Ortaklığı A.Ş.	İstanbul /Turkey	24.40	31.58

Information on participations as presented in table a.4:

Total Assets	Shareholders' Equity(*)	Total Fixed Assets(*)	Interest Income (*)	Income from Marketable Securities Portfolio (*)	Current Period Profit / Loss (*)	Prior Period Profit / Loss (*)	Fair Value (*)
28,354	4,866	466	211	-	(2,945)	582	-
1,400	1,376	5	-	-	6	55	1,020

(\*) Financial statements of Varlık Yatırım Ortaklığı A.Ş. have been prepared in accordance with the incumbent Capital Market Board legislation. Financial statements of TEB Sigorta have been prepared in accordance with principles stated in the Insurance Control Law. Current period information is expressed in the equivalent purchasing power at June 30, 2003, while prior period information are historical and are expressed with nominal figures at December 31, 2002.

a.5) Information on investments which are sold in current period : None.

a.6) Investments purchased in the current period: None.

**7. Information on subsidiaries (Net):**

a) Information on subsidiaries:

a.1) Information on subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	112,781	100,432
Movements during the period	2,422	12,349
Purchases	-	7,665
Free shares obtained profit from current year's share	10,236	3,668
Dividends from current year income	-	-
Sales	-	-
Revaluation increase (*)	(7,814)	1,016
Provision for impairment	-	-
<b>Balance at the end of the period</b>	<b>115,203</b>	<b>112,781</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

(\*) The exchange (expense)/income generated from the difference between the devaluation and inflation of the foreign subsidiaries.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)**  
**TÜRK EKONOMİ BANKASI A.Ş.**  
**NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003**  
**AND DECEMBER 31, 2002 (Continued)**  
**(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

## a.2) Valuation of subsidiaries:

Subsidiaries denominated in Turkish Lira are reflected by restating their costs with the conversion factors applicable for the relevant dates after deducting the capital increases generated by funds like the revaluation fund. When there is a permanent diminution in value of the subsidiaries then a provision is set. Subsidiaries denominated in foreign currency are translated into Turkish Lira by applying the exchange rates prevailing at balance sheet dates.

	Current Period	Prior Period
Valuation with cost	115,203	112,781
Valuation with fair value	-	-
Valuation with equity method	-	-

## a.3) Subsidiaries which are quoted to a stock exchange: None.

## a.4) Information on subsidiaries:

Description	Address(City/ Country)	Bank's share percentage-If different voting percentage(%)	Bank's risk group share percentage (%)
The Economy Bank N.V.	Netherlands	100.00	100.00
Petek International Holdings B.V.	Netherlands	100.00	100.00
TEB Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	74.80	91.81
TEB Finansal Kiralama A.Ş.	İstanbul/Turkey	68.76	72.53
TEB Kıymetli Madenler A.Ş.	İstanbul/Turkey	66.00	71.81
TEB Factoring A.Ş.	İstanbul/Turkey	65.80	70.77
TEB Portföy Yönetimi A.Ş.	İstanbul/Turkey	55.89	88.61

Information on subsidiaries as presented in table a.4 (\*) :

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair Value
1,058,720	74,250	1,407	26,505	(571)	239	8,112	-
1,630	1,630	-	-	-	(26)	3,262	-
16,281	13,983	464	728	-	156	2,983	-
185,328	61,569	159,531	642	-	29,987	4,141	-
237	231	-	-	-	(40)	40	-
85,621	7,951	178	6,608	-	1,274	500	-
4,843	4,305	602	432	76	617	876	-

(\*) Information is disclosed in statutory amounts.

## a.5) Information on the subsidiaries that were disposed in current period: None.

## a.6) Information on the subsidiaries purchased in current period: None.

## 8. Information on financial lease receivables (Net): None.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

9. Explanations related to interest and income accruals :

a) Information about accrued interest and income receivables:

Accrued interest and income receivables	Current Period		Prior Period	
	TL	FC	TL	FC
Interest accruals - due	242	1	254	-
Interest accruals - not due	7,657	2,946	10,136	2,923
Loan commissions and other income accruals - due	-	-	-	-
Loan commissions and other income accruals - not due	17	5	13	1
<b>Total</b>	<b>7,916</b>	<b>2,952</b>	<b>10,403</b>	<b>2,924</b>

b) Information on other interest and income accruals :

Other interest and income accruals	Current Period		Prior Period	
	TL	FC	TL	FC
Trading securities	5,862	52	3,732	18
Securities available for sale	-	479	-	398
Securities held to maturity	709	-	734	-
Interest accruals of reverse repo transactions	-	-	-	-
Interest accruals of reserve deposits	1,163	175	1,026	276
Income accruals of financial derivative instruments	5,406	-	4,899	-
Interest and income accruals	-	-	-	-
Income accrual of foreign exchange gains	5,406	-	4,899	-
Income accruals of financial lease income	-	-	-	-
Other	7,699	66	6,027	140
<b>Total</b>	<b>20,839</b>	<b>772</b>	<b>16,418</b>	<b>832</b>

10. Information on other assets:

a) Information on prepaid expenses, taxes and similar items :

	Current Period	Prior Period
Deferred tax	4,266	2,267
Assets held for sale	-	-
Advances given	59	206
Prepaid rent expenses	400	420
Transaction cost related to financial liabilities	-	2,291
Prepaid taxes	4,824	10,165
Other	11,462	7,632
<b>Total</b>	<b>21,011</b>	<b>22,981</b>

b) Other assets and liabilities which exceed 10 % of the balance sheet total (excluding off-balance sheet commitments) and breakdown of these which constitute at least 20% of grand total: None

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
**TÜRK EKONOMİ BANKASI A.Ş.**  
**NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003**  
**AND DECEMBER 31, 2002 (Continued)**  
**(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

**II- Footnotes And Explanations Related to the Liabilities**

**1. a) Information on maturity structure of deposits:**

a.1) Current period :

	7 day Call					6 Month-1	
	Demand	Accounts	Up to 1 month	1-3 Month	3-6 Month	Year 1	Year and over
Saving deposits	12,394	-	60,284	57,204	38,158	6,696	12,012
Foreign currency deposits	367,171	-	436,261	281,985	25,980	7,365	373
Residents in Turkey	349,973	-	426,501	277,533	25,304	6,177	357
Residents abroad	17,198	-	9,760	4,452	676	1,188	16
Public sector deposits	10,863	-	-	-	-	-	-
Commercial deposits	47,809	-	51,578	15,194	4,191	468	13
Other institutions deposits	38,938	-	5,458	307	11	1	-
Precious metals deposits	4,000	-	-	4,688	-	637	-
Interbank deposits	8,403	-	21,931	42,565	1,200	-	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	141	-	40	-	-	-	-
Foreign Banks	3,761	-	21,891	42,565	1,200	-	-
Special finance houses	4,501	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>489,578</b>	<b>-</b>	<b>575,512</b>	<b>401,943</b>	<b>69,540</b>	<b>15,167</b>	<b>12,398</b>

a.2) Prior period :

	7 day Call					6 Month-1		1 Year and over
	Demand	Accounts	Up to 1 month	1-3 Month	3-6 Month	Year		
Saving deposits	19,577	-	87,222	42,901	13,971	3,646	15,014	
Foreign currency deposits	455,616	-	567,281	348,058	35,668	9,346	395	
Residents in Turkey	437,565	-	549,799	341,790	32,943	7,880	376	
Residents abroad	18,051	-	17,482	6,268	2,725	1,466	19	
Public sector deposits	39	-	-	-	-	-	-	
Commercial deposits	59,685	-	84,009	4,766	9,485	6	15	
Other institutions deposits	36,517	-	478	16	9	1	-	
Precious metals deposits	10,828	-	-	12,627	-	1,576	-	
Interbank deposits	22,011	-	29,477	14,219	-	1,115	-	
Central Bank of Turkey	-	-	-	-	-	-	-	
Domestic Banks	12,291	-	-	-	-	1,115	-	
Foreign Banks	9,720	-	29,477	14,219	-	-	-	
Special finance houses	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	
<b>Total</b>	<b>604,273</b>	<b>-</b>	<b>768,467</b>	<b>422,587</b>	<b>59,133</b>	<b>15,690</b>	<b>15,424</b>	

b.1) Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance:

Saving Deposits	Under the guarantee of saving deposit insurance		Exceeding the limit of saving deposit	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	70,102	27,164	116,646	155,167
Foreign currency saving deposits	260,263	214,995	454,612	703,850
Other deposits in the form of saving deposits	513	758	1,216	7,363
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
<b>Total</b>	<b>330,878</b>	<b>242,917</b>	<b>572,474</b>	<b>866,380</b>

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
**TÜRK EKONOMİ BANKASI A.S.**  
**NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003**  
**AND DECEMBER 31, 2002 (Continued)**  
**(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

- b.2) The bank which has settled abroad should disclose, the total amount of savings deposit in Turkey branch, and insured in the country of head office : None

**2. Information on funds provided from repurchase agreement transactions:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	21,928	-	24,415	-
Financial institutions and organizations	16,500	-	14,492	-
Other institutions and organizations	1,657	-	4,509	-
Real persons	3,771	-	5,414	-
From foreign transactions	2	-	1,001	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	1,000	-
Real persons	2	-	1	-
<b>Total</b>	<b>21,930</b>	<b>-</b>	<b>25,416</b>	<b>-</b>

**3. a) Information on funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	21,138	236,902	17,775	211,227
Medium and long-term	-	41,476	-	64,218
<b>Total</b>	<b>21,138</b>	<b>278,378</b>	<b>17,775</b>	<b>275,445</b>

**4. a) Information on debt securities issued: None.**

- b) The explanation on the maturity structure, interest rate, type of currency of the issued marketable securities : None.

**5. Explanation on funds: None**

**6. Explanation on miscellaneous payables:**

	Current Period	Prior Period
Total amount of cash collateral obtained	104	134

The table consists of blocked accounts regarding cash collateral, loans, import and export transactions

**7. Other assets and liabilities which exceed 10 % of the balance sheet total (excluding off-balance sheet commitments) and breakdown of these which constitute at least 20 % of grand total: None**

**8. Explanation on leasing operations:**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than a year	2,366	1,767	2,367	2,185
1-4 years	4,891	4,255	6,746	5,335
More than 4 years	-	-	-	-
<b>Total</b>	<b>7,257</b>	<b>6,022</b>	<b>9,113</b>	<b>7,520</b>

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

9. Information on interest and expense accruals:

	Current Period		Prior Period	
	TL	FC	TL	FC
Accrued interest on deposits	7,427	1,364	5,845	1,128
Accrued interest on funds borrowed	1,638	964	1,808	1,588
Accrued interest on bonds	-	-	-	-
Accrued interest on repurchase agreement transactions	23	-	31	-
Accrued interest on derivative financial instruments	15,850	-	5,091	-
Accrued interest and expense	-	-	-	-
Foreign exchange losses accrued	15,850	-	5,091	-
Other interest and expense accruals	8,585	-	1,109	-
<b>Total</b>	<b>33,523</b>	<b>2,328</b>	<b>13,884</b>	<b>2,716</b>

10. Provisions and subordinated loans :

a) Information on general provisions::

	Current Period	Prior Period
General provisions	6,753	6,792
Provisions for First Group Loans and Receivables	5,711	5,762
Provisions for Second Group Loans and Receivables	21	35
Provisions for Non Cash Loans	1,021	995
Others	-	-
<b>Total</b>	<b>6,753</b>	<b>6,792</b>

b) Information on employee termination benefits and notice indemnity:

	5 PP	4 PP	3 PP	2 PP	Prior Period	Current Period
Actual Payments of Employee Termination Benefits (*)	56	107	947	662	435	421
Reserve for Employee Termination Benefits and Notice Indemnity (*)	1,580	3,140	4,456	6,912	10,972	14,350
Actual Payment Ratio	%3.57	%3.40	%21.24	%9.59	%3.96	%8.35
Ratio of reserve for Employee Termination Benefits and Notice Indemnity (**)	-	-	-	-	-	%8.35
Possible reserve for Employee Termination Benefits and Notice Indemnity	-	-	-	-	-	912

(\*) Reflected with statutory figures

(\*\*) 5-year actual payment ratio

As of June 30, 2003, TL 912 of reserve for employee termination benefits and notice indemnity was reflected to the financial statements corresponding to 8.35% of total liability of TL 14,350.

c) Information on free reserves for possible losses : None.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

## d) Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	-	-	-
From Other Foreign Institutions	-	21,115	-	27,418
<b>Total</b>	-	<b>21,115</b>	-	<b>27,418</b>

## 11. Information of Shareholders' Equity:

## a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	55,125	55,125
Preferred stock	-	-

## b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable to the Bank if so, amount of registered share capital ceiling :

Capital System	Paid-in capital	Ceiling
Registered capital system	55,125	100,000

## c) Information on share capital increases and their sources; other information on increased capital shares in current period: None

## d) Information on share capital increases from revaluation funds: None.

## e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments : None.

## f) Indicators of the Bank's income, profit and liquidity for the previous periods and within these indicators possible affects on capital fore sighting uncertainty : Not applicable.

## g) Information on privileged shares :

7 % of the Bank's remaining net income and tax after deducting legal reserves and first dividends, corresponding to the Bank's 60,000 shares of TL 30,000,000 (in full TL) is distributed to the founder shares.

## 12. a) Common stock issue premiums, shares and equity instruments: None

## 13. Information on shareholders having more than 10 % share:

Name/Commercial title	Amounts	Share Percentage	Paid-in capital	Unpaid portion
Teb Mali Yatırımlar A.Ş.	38,631	70.08%	38,631	-

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

**III- Footnotes And Explanations Related To the Income Statement**

There is no fundamental error for any groups or items related to the prior period. There is no change in accounting estimates for the fiscal year.

The breakdown of other interest and non-interest income and expense accounts that exceed 10% of the related totals are shown below.

Other interest expense amounting to TL 21,074 includes foreign exchange losses amounting to TL 11,039 of foreign currency indexed loans occurred from the devaluation of foreign currencies against TL and interest expenses on marketable securities subject to repurchase agreements amounting to TL 9,891.

Other fees and commission income amounting to TL 10,284 includes fees and commissions on credit cards amounting to TL 3,482, and other fee and commission expense amounting to TL 6,082 includes fees and commissions on credit card and interbank money marked transactions amounting to TL 3,045 and TL 817, respectively.

1. a) Information on interest income received from investments and subsidiaries:

	Current Period	Prior Period
Interest received from investments and subsidiaries	14	5

b) Information on financial lease income: None.

c) Interest received from reverse repurchase agreement transactions:

2. a) Information on interest expense to investments and subsidiaries: None

	Current Period	Prior Period
Interest expense to investments and subsidiaries	161	318

b) Information on financial lease expenses :

	Current Period	Prior Period
Financial lease expense	116	175

c) Distribution of interest expense on deposits based on maturity of deposits :

Account name	Time Deposits						Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	
<b>TL</b>							
Bank deposits	2	4,557	-	-	-	-	4,559
Saving deposits	112	13,619	11,135	4,847	1,012	2,997	33,722
Public sector deposits	-	-	-	-	-	-	-
Commercial deposits	227	9,864	1,819	466	27	3	12,406
Other deposits	12	157	24	2	-	-	195
7 days call accounts	-	-	-	-	-	-	-
<b>Total</b>	<b>353</b>	<b>28,197</b>	<b>12,978</b>	<b>5,315</b>	<b>1,039</b>	<b>3,000</b>	<b>50,882</b>
<b>FC</b>							
Foreign currency deposits (*)	660	6,279	4,452	400	119	6	11,916
7 days call accounts	-	-	-	-	-	-	-
Precious metal deposits	-	8	62	-	11	-	81
<b>Total</b>	<b>660</b>	<b>6,287</b>	<b>4,514</b>	<b>400</b>	<b>130</b>	<b>6</b>	<b>11,997</b>
<b>Total</b>	<b>1,013</b>	<b>34,484</b>	<b>17,492</b>	<b>5,715</b>	<b>1,169</b>	<b>3,006</b>	<b>62,879</b>

(\*) Interest expense on foreign currency demand deposits includes TL 585 of foreign bank deposits interest expense.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)**  
**TÜRK EKONOMİ BANKASI A.S.**  
**NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003**  
**AND DECEMBER 31, 2002 (Continued)**  
**(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

- d) Interest expense on repurchase agreements :

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on repurchase agreements	9,891	-	19,084	-

**3. Net income/losses from marketable securities for investment purposes: None**

**4. Information on other operating income :**

The information on the factors affecting the Bank's income including extraordinary items and new developments, and the explanation on nature and amount of income earned from extraordinary items : None.

**5. Provision expenses of banks for loans and other receivables:**

	Current Period	Prior Period
Specific provisions for loans and other receivables	609	6,052
Unsecured	-	5,152
Other groups	609	900
General provision expenses	1,251	2,034
Marketable securities impairment expense	29	1,469
Provision for impairment*	-	-
Other	472	-
<b>Total</b>	<b>2,361</b>	<b>9,555</b>

(\*) Provision for impairment related to participations, subsidiaries and securities held to maturity.

**6.a) Income and expenses relating to investments and subsidiaries : None**

- b) Income / loss from investments, which are accounted for under the equity method : None.

- c) The information on income and expense from related party transactions:

The Bank has certain banking transactions with group companies. These are commercial transactions, which are realized in line with market rates. These are reflected in income statement. The related amounts are presented in Part V, section VI.

**7. The explanations on net income / loss for the period:**

- a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period : None

- b) Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods : None.

**8. Nature and amount of changes in accounting estimates, which have a material effects on current period or expected to have a material effect on subsequent periods : None.**

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)**  
**TÜRK EKONOMİ BANKASI A.S.**  
**NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003**  
**AND DECEMBER 31, 2002 (Continued)**  
**(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

**IV. Footnotes And Explanations Related To the Off-Balance Sheet Commitments**

**1.a) Disclosure to be made separately from other contingent liabilities :**

- a.1) The Bank's share in contingent liabilities of joint ventures together with other ventures : None.
- a.2) Share of joint ventures in their own contingent liabilities: None.
- a.3) The Bank's contingent liabilities resulting obligations of other ventures in joint ventures : None.

**b) Accounting and presentation of contingent assets and liabilities in the financial statements :**

- b.1) For contingent assets, if realization probability is close to certain, then it is accounted. If realization probability is low, then it is explained in the footnotes. As of June 30, 2003 there are no contingent assets needed to be explained.
- b.2) For contingent liabilities, if realization probability is close to certain, then provision is set. If there is low or no realization probability, then it is explained in the footnotes : None.

**2. Information on off-balance sheet liabilities :**

- a) Nature and amount of irrevocable loan commitments : Credit card expenditure limit commitments are TL 93,239 and TL 75,062 as of June 30, 2003 and December 31, 2002 respectively.
- b) Nature and amount of contingent loss and commitments from off-balance sheet items including below statements:

The Bank, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit.

- b.1) Non-cash loans including guarantees, acceptances, financial collaterals and other letters of credits:

As of June 30, 2003 total guarantees and commitments consist of letter of guarantees amounting to TL 572,313, acceptances amounting to TL 43,754 and letters of credit amounting to TL 318,583.

- b.2) Guarantees, surety ships and similar transactions : None other than the ones explained in article b.1).

**3.a) Non-cash loans:**

	Current Period	Prior Period
Guarantees given against cash loans	57,017	66,829
With maturity of 1 year or less than 1 year	21,366	25,040
With maturity of more than 1 year	35,651	41,789
Other non-cash loans	882,521	833,782
<b>Total</b>	<b>939,538</b>	<b>900,611</b>

- b) Collateral, mortgage and other restrictions on tangible fixed assets, the amount of capital expenditures related to expenses construction of tangible fixed assets, intangible fixed asset purchase commitments: None.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

4. The information on the Bank's rating by in the international rating introductions :

The results of the trading performed by Moody's Investor Services and Fitch Ratings are shown below:

**Moody's Investor Services: March 2003**

<b>Bank Financial Strength</b>	D+
<b>Long Term FX Deposits</b>	B3

**Fitch Ratings: March 2003**

<b>Foreign Currency Commitments</b>	
Long Term	B-
View	Negative
<b>Turkish Lira Commitments</b>	
Long Term	B-
View	Negative
<b>National</b>	
Long Term	A (tur)
View	Negative
<b>Individual Rating</b>	C/D
<b>Support Points</b>	4T

Additionally, Fitch Ratings have made an announcement at July 22, 2003 with respect to the changes in its rating methodology and stated that the support points rate for the Bank has been decreased to 5 from 4T.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

**V. Footnotes And Explanations Related To Statement Of Cash Flows**

**1. Cash and cash equivalents at beginning and end of periods:**

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the cash flow statement:

	Current Period 30.06.2003	Prior Period 30.06.2002
Cash	71,584	48,384
Cash equivalents	897,126	1,076,546

Cash includes of cash in TL and cash in foreign currency, cash equivalents include the balances of the Central Bank, banks and interbank funds sold which mature in less than three months.

**2. Amount of cash and cash equivalents restricted for the usage of the Bank and the shareholders by legal limitations and other reasons: None.**

## (CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)

TÜRK EKONOMİ BANKASI A.S.

## NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003 AND DECEMBER 31, 2002 (Continued)

(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

## VI- Footnotes And Explanations on the Risk Group of the Bank

## 1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances :

## a) Current Period :

Related Parties (*)	Investments and subsidiaries		Direct and indirect shareholders of the Bank		Other entities included in related parties	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	205	16,368	663	7,502	11,319	2,769
Balance at end of period	139	11,116	902	1,193	95	4,907
Interest and commission income	382	26	376	4	1,673	14

## b) Prior Period :

Related Parties (*)	Investments and subsidiaries		Direct and indirect shareholders of the Bank		Other entities included in related parties	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	90	40,448	834	1,335	5,454	6,166
Balance at end of period	205	16,368	663	7,502	11,319	2,769
Interest and commission income received	1,806	109	39	510	2,316	511

## c.1) Information on related party deposits balances:

Related parties (*)	Investments and subsidiaries		Direct and indirect shareholders of the Bank		Other entities included in related parties	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Balance at beginning of period	6,651	10,407	202,930	66,206	15,526	13,685
Balance at end of period	4,647	6,651	165,592	202,930	1,704	15,526
Interest on deposits	161	536	2,536	2,731	154	12,417

## c.2) Information on forward and option agreements and other similar agreements made with related parties :

Related Parties (*)	Investments and subsidiaries		Direct and indirect shareholders of the Bank		Other entities included in related parties	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Trading transactions						
Beginning of period	58,473	60,129	48,281	25,826	27,295	17,475
End of period	67,583	58,473	13,222	48,281	24,052	27,295
Total income/loss	1,492	899	(2,091)	(384)	26	689
Hedging transactions purposes	-	-	-	-	-	-
Beginning of period	-	-	-	-	-	-
End of period	-	-	-	-	-	-
<b>Total income/loss</b>	<b>1,492</b>	<b>899</b>	<b>(2,091)</b>	<b>(384)</b>	<b>26</b>	<b>689</b>

(\*) The scope of the related parties are defined in the Article 20-2 of the "Regulation on the Establishment and Operations of Banks".

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)**  
**TÜRK EKONOMİ BANKASI A.S.**  
**NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003**  
**AND DECEMBER 31, 2002 (Continued)**  
**(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

**2. Disclosures for related parties**

- a) The relations of the Bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not:

The Bank enters into banking transactions with related parties. These are commercial transactions and realized on an arms-length basis.

- a) Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:

	Amount	% According to the Amounts at the Financial Statements
Cash loans	1,136	0.13
Non-cash loans	17,216	1.83
Deposits	171,943	10.99
Forward transactions and option agreements	104,857	13.71

These transactions are priced in accordance with the general pricing policies of the Bank and are in line with market rates.

- b) In the case that disclosing items separately, total of similar items is disclosed in order to present the total impact on financial statements : Explained in the article b.
- c) Investments accounted for under the equity method : None.
- e) Disclosures related to purchase and sale of real estate and other assets, trading of services, agency contracts, leasing contracts, transferring information as a result of research and development, license contracts, financing (loans and cash or real capital supports included), guarantees, and management contracts :

The Bank has financial lease agreements with TEB Finansal Kiralama A.Ş.. As of June 30, 2003 the total leasing obligations related to these agreements amounted to TL 6,022. Additionally, the Bank provides agency services for TEB Sigorta A.Ş. and TEB Yatırım Menkul Değerler A.Ş.

Within the limits of the Banking Law, the Bank renders cash and non-cash loans to its related parties and the ratio of these to the Bank's total cash and non-cash loan portfolio is 1.01 %. Amounts of these loans are explained in the note V- 1a.

As of June 30, 2003 the Bank has no purchases and sale of real estate and other assets, transfer of information as a result of research and development, license and management contracts with the related parties.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)**

**TÜRK EKONOMİ BANKASI A.S.**

**NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003**

**AND DECEMBER 31, 2002 (Continued)**

**(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

**VII- Footnotes And Explanations on Inflation Accounting**

**Inflation Accounting**

The accompanying financial statements are prepared by applying inflation accounting to the financial statements, which are prepared on a historical cost basis, except for the revaluation of fixed assets in line with Turkish Tax Legislation, in accordance with the provisions of Communiqué No : 14 "Accounting Standard Related to the Preparation of Financial Statements in Hyperinflationary Periods" related to ARR. Communiqué No:14 requires banks to restate their financials in the equivalent purchasing power of Turkish Lira at the balance sheet date. One characteristic that necessitates the application of inflation accounting under the provisions of Communiqué No : 14 is a cumulative three-year inflation rate approaching or exceeding 100%. As of June 30, 2003 based on the wholesale price indices announced by the State Institute of Statistics, the cumulative three-year inflation rate in Turkey is 208%.

Communiqué No:14 requires that the financial statements should be restated in the equivalent purchasing power at the balance sheet date and the financial statements of prior year should be restated in their entirety to the measuring unit current at the balance sheet date.

The main guidelines for inflation accounting are as follows:

Cash and monetary assets and liabilities, which maintain their nominal balances but experience a decline in purchasing power are not restated because they are already expressed in terms of the monetary unit current at that balance sheet date.

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; being the change in the general price index from the date of acquisition to the closing date. The inflation adjusted share capital amount has been derived by indexing each capital increase other than bonus shares from statutory revaluation fund from the date they were contributed. Transfers to share capital from general reserves, gain on sale of property and investments and inappropriate profits are considered as cash contributions and are restated from the date of contribution.

Fixed assets subject to depreciation are restated from their historical acquisition costs after eliminating the statutory revaluation increments. Depreciation is not separately restated in the income statement since it is computed over restated amounts.

Non-monetary items reflected at current values are not restated since they are already stated in the current purchasing power.

Investments and subsidiaries denominated in Turkish Lira are reflected at restated costs by converting historical acquisition costs, excluding free shares from revaluation fund, with the relevant conversion factors. Transfers to share capital from general reserves, gain on sale of property and investments and inappropriate profits are considered as cash contributions and are restated from the date of contribution. Investments and subsidiaries denominated in foreign currency are converted to Turkish Lira with the exchange rates prevailing and year-end.

All items in the statements of income are restated by applying the appropriate conversion factors.

The effect of inflation on the Bank's net monetary position is included in the statements of income and separately disclosed as a net monetary gain or loss. The effect of inflation accounting on prior year financial statements is included in retained earnings and the effect of restatement is disclosed separately under shareholders' equity.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)**  
**TÜRK EKONOMİ BANKASI A.S.**  
**NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003**  
**AND DECEMBER 31, 2002 (Continued)**  
**(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

Indices and conversion factors that are used to restate the accompanying the financial statements as of December 31, 2002, reflecting the restatement for the changes in the general purchasing power of the Turkish is as follows;

Dates	Index	Conversion Factors
December 31, 2002	6,478.8	1.115
December 31, 2001	4,951.7	1.459
December 31, 2000	2,626.0	2.750
June 30, 2003	7,222.2	1.000
June 30, 2002	5,572.0	1.296

Restatement of balance sheet and income statement items through the use of a general price index and relevant conversion factors does not necessarily mean that the Bank could realize or settle the same values of assets and liabilities as indicated in the balance sheets. Similarly, it does not necessarily mean that the Bank could return or settle the same values of equity to its shareholders.

In accordance with Communiqué No :14, the Bank obtains expertise reports for its buildings.

As of June 30, 2003 the total amount of legal reserves and general reserves are TL 7,555 and TL 28,769, respectively, in the Bank's statutory books of account.

Balance sheet and income statement for the period ended June 30, 2003 are reviewed. Balance sheet as of December 31, 2002, is audited. Income statement for the period ended June 30, 2002 is reviewed by other auditors who have ceased operations.

Income statement items do not have seasonality. However, restatement of income statement items were made with monthly indices.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

**VIII- Explanations Related To Subsequent Events**

- a) Disclosure related to subsequent events and their impact on the financial statements as required by the related standard: There are no significant matters.
- b) The impact of significant changes in foreign exchange rates subsequent to the balance sheet date on the foreign currency transactions, items and on the financial statements of the Bank : There are no significant changes.

**SECTION SIX**

**INDEPENDENT LIMITED REVIEW REPORT**

**I- Explanations on The Independent Limited Review Report**

The unconsolidated interim financial statements of the Bank were reviewed by Güney Serbest Muhasebeci Mali Müşavirlik A.Ş. (An Affiliated Firm of Ernst &Young International) and the review report dated August 12, 2003 is presented preceding the interim financial statements.