

**Türk Ekonomi Bankası  
Anonim Şirketi**

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

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

**(Convenience Translation of A Review 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 consolidated balance sheet of Türk Ekonomi Bankası Anonim Şirketi as of June 30, 2003 and the related consolidated statements of income, changes in 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 consolidated 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 31, 2002 expressed that nothing has come to their attention that causes them to believe that those consolidated 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 consolidated 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.

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



Esra Peri, SMMM

August 27, 2003  
İstanbul, Türkiye

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

SECTION ONE

GENERAL INFORMATION

**I- Footnotes and Explanations on the Parent Company 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 : @teb.com.tr
- b) The Parent Company Bank's service activities and operating areas: The Parent Company Bank operates in corporate, commercial, retail and private banking areas.
- c) Financial statements and relevant explanations together with the footnotes are stated in Billions of Turkish Lira.

**II- Explanations and Footnotes Regarding the Including Group of the Parent Company Bank**

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

**III- Explanations on Consolidated 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 are of a seasonal or 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 affect 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, and not reflected in 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 commitments and contingencies of the Bank that have arisen subsequent to the year-end balance sheet date.

**SECTION TWO**

**CONSOLIDATED FINANCIAL STATEMENTS**

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

(CONVENIENCE TRANSLATION OF A REVIEW REPORT AND FINANCIAL STATEMENTS  
 ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
**TÜRK EKONOMİ BANKASI A.Ş.**  
**CONSOLIDATED 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- CONSOLIDATED BALANCE SHEET - 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>24,045</b>	<b>412,983</b>	<b>437,028</b>	<b>23,344</b>	<b>455,519</b>	<b>478,863</b>
1.1 Cash		10,577	6	10,583	6,846	-	6,846
1.2 Foreign currency		-	61,017	61,017	-	89,886	89,886
1.3 Balances with the Central Bank of Turkey	I-1	13,468	351,960	365,428	16,498	365,633	382,131
<b>II. TRADING SECURITIES (Net)</b>		<b>70,081</b>	<b>14,182</b>	<b>84,263</b>	<b>45,180</b>	<b>10,626</b>	<b>55,806</b>
2.1 Public sector debt securities	I-2	70,081	13,174	83,255	45,180	10,323	55,503
2.1.1 Government bonds	I-2	54,250	655	54,905	38,779	7,349	46,128
2.1.2 Treasury bills	I-2	15,830	-	15,830	6,400	-	6,400
2.1.3 Other	I-2	1	12,519	12,520	1	2,974	2,975
2.2 Share certificates		-	-	-	-	-	-
2.3 Other marketable securities		-	1,008	1,008	-	303	303
<b>III. BANKS AND OTHER FINANCIAL INSTITUTIONS</b>		<b>69,193</b>	<b>889,215</b>	<b>958,408</b>	<b>43,553</b>	<b>1,110,701</b>	<b>1,154,254</b>
3.1 Due from banks		69,193	889,215	958,408	43,553	1,110,701	1,154,254
3.1.1 Domestic banks		55,127	191,535	246,662	30,826	199,184	230,010
3.1.2 Foreign banks		14,066	697,680	711,746	12,727	911,517	924,244
3.2 Other financial institutions		-	-	-	-	-	-
<b>IV. MONEY MARKET PLACEMENTS</b>		<b>159,310</b>	<b>90,089</b>	<b>249,399</b>	<b>261,185</b>	<b>199,241</b>	<b>460,426</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		5,460	-	5,460	7,860	-	7,860
<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>464,546</b>	<b>849,862</b>	<b>1,314,408</b>	<b>401,780</b>	<b>1,062,405</b>	<b>1,464,185</b>
6.1 Short term	I-4	426,432	774,998	1,201,430	372,994	869,844	1,242,838
6.2 Medium and long term	I-4	32,914	74,864	107,778	23,255	192,561	215,816
6.3 Loans under follow-up	I-4	20,231	35	20,266	22,531	45	22,576
6.4 Specific provisions (-)	I-4	(15,031)	(35)	(15,066)	(17,000)	(45)	(17,045)
<b>VII. FACTORING RECEIVABLES</b>		<b>57,533</b>	<b>21,179</b>	<b>78,712</b>	<b>46,708</b>	<b>27,483</b>	<b>74,191</b>
<b>VIII. SECURITIES HELD TO MATURITY (Net)</b>		<b>38,649</b>	<b>2,512</b>	<b>41,161</b>	<b>41,002</b>	<b>3,166</b>	<b>44,168</b>
8.1 Public sector debt securities	I-5	38,649	2,512	41,161	41,002	3,166	44,168
8.1.1 Government bonds	I-5	38,367	1,364	39,731	40,752	3,166	43,918
8.1.2 Treasury bills	I-5	282	-	282	250	-	250
8.1.3 Other	I-5	-	1,148	1,148	-	-	-
8.2 Other marketable securities	I-5	-	-	-	-	-	-
<b>IX. INVESTMENTS AND ASSOCIATES (Net)</b>		<b>347</b>	<b>-</b>	<b>347</b>	<b>494</b>	<b>-</b>	<b>494</b>
9.1 Financial investments and associates	I-6	347	-	347	494	-	494
9.2 Non-Financial investments and associates		-	-	-	-	-	-
<b>X. SUBSIDIARIES (Net)</b>		<b>373</b>	<b>-</b>	<b>373</b>	<b>377</b>	<b>-</b>	<b>377</b>
10.1 Financial subsidiaries	I-7	373	-	373	377	-	377
10.2 Non-Financial subsidiaries		-	-	-	-	-	-
<b>XI. OTHER INVESTMENTS (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XII. FINANCE LEASE RECEIVABLES (Net)</b>		<b>8,215</b>	<b>104,725</b>	<b>112,940</b>	<b>5,220</b>	<b>89,585</b>	<b>94,805</b>
12.1 Gross finance lease receivables	I-8	9,212	117,897	127,109	7,312	100,744	108,056
12.2 Unearned income (-)	I-8	(997)	(13,172)	(14,169)	(2,092)	(11,159)	(13,251)
<b>XIII. RESERVE DEPOSITS</b>		<b>9,624</b>	<b>113,193</b>	<b>122,817</b>	<b>10,303</b>	<b>136,738</b>	<b>147,041</b>
<b>XIV. MISCELLANEOUS RECEIVABLES</b>		<b>849</b>	<b>578</b>	<b>1,427</b>	<b>347</b>	<b>46</b>	<b>393</b>
<b>XV. ACCRUED INTEREST AND INCOME RECEIVABLES</b>		<b>28,658</b>	<b>10,013</b>	<b>38,671</b>	<b>26,835</b>	<b>13,433</b>	<b>40,268</b>
15.1 Loans	I-10	8,575	8,235	16,810	10,431	10,944	21,375
15.2 Marketable securities	I-10	6,651	689	7,340	4,689	599	5,288
15.3 Other	I-10	13,432	1,089	14,521	11,715	1,890	13,605
<b>XVI. PROPERTY AND EQUIPMENT (Net)</b>		<b>44,338</b>	<b>1,405</b>	<b>45,743</b>	<b>46,750</b>	<b>458</b>	<b>47,208</b>
16.1 Book value		106,947	2,152	109,099	106,510	1,250	107,760
16.2 Accumulated depreciation (-)		(62,609)	(747)	(63,356)	(59,760)	(792)	(60,552)
<b>XVII. INTANGIBLE ASSETS [Net]</b>		<b>4,292</b>	<b>79</b>	<b>4,371</b>	<b>4,197</b>	<b>139</b>	<b>4,336</b>
17.1 Goodwill		412	-	412	412	-	412
17.2 Other		10,417	872	11,289	9,461	1,016	10,477
17.3 Accumulated amortization (-)		(6,537)	(793)	(7,330)	(5,676)	(877)	(6,553)
<b>XVIII. OTHER ASSETS</b>	I-11	<b>46,373</b>	<b>8,063</b>	<b>54,436</b>	<b>41,216</b>	<b>2,795</b>	<b>44,011</b>
<b>TOTAL ASSETS</b>		<b>1,026,434</b>	<b>2,547,096</b>	<b>3,573,530</b>	<b>998,501</b>	<b>3,131,125</b>	<b>4,129,626</b>

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

(CONVENIENCE TRANSLATION OF A REVIEW REPORT AND FINANCIAL STATEMENTS  
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**TÜRK EKONOMİ BANKASI A.Ş.**  
**CONSOLIDATED 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- CONSOLIDATED BALANCE SHEET - LIABILITIES**

LIABILITIES	Note Ref. (Section Five)	Reviewed			Audited		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>		<b>449,941</b>	<b>2,081,654</b>	<b>2,531,595</b>	<b>434,885</b>	<b>2,692,819</b>	<b>3,127,704</b>
1.1 Bank deposits	II-1	42,949	44,443	87,392	33,809	83,731	117,540
1.2 Saving deposits	II-1	194,620	138,475	333,095	182,330	-	182,330
1.3 Public sector deposits	II-1	10,863	-	10,863	39	-	39
1.4 Commercial deposits	II-1	156,794	776,926	933,720	181,687	-	181,687
1.5 Other institutions deposits	II-1	44,715	-	44,715	37,020	-	37,020
1.6 Foreign currency deposits	II-1	-	1,112,485	1,112,485	-	2,584,057	2,584,057
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>40,698</b>	<b>414,882</b>	<b>455,580</b>	<b>39,385</b>	<b>398,575</b>	<b>437,960</b>
3.1 Funds borrowed from the Central Bank of Turkey		-	-	-	-	-	-
3.2 Other funds borrowed	II-3	40,698	414,882	455,580	39,385	398,575	437,960
3.2.1 Domestic banks and institutions	II-3	26,333	23,811	50,144	18,782	13,537	32,319
3.2.2 Foreign banks, institutions and funds	II-3	14,365	391,071	405,436	20,603	385,038	405,641
<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>19,628</b>	<b>30,869</b>	<b>50,497</b>	<b>24,744</b>	<b>41,934</b>	<b>66,678</b>
<b>VII. OTHER EXTERNAL RESOURCES</b>	II-7	<b>51,669</b>	<b>15,126</b>	<b>66,795</b>	<b>20,785</b>	<b>7,364</b>	<b>28,149</b>
<b>VIII. TAXES AND OTHER DUTIES PAYABLE</b>		<b>10,928</b>	<b>46</b>	<b>10,974</b>	<b>7,534</b>	<b>-</b>	<b>7,534</b>
<b>IX. FACTORING PAYABLES</b>		<b>19,045</b>	<b>13,046</b>	<b>32,091</b>	<b>14,607</b>	<b>16,586</b>	<b>31,193</b>
<b>X. FINANCE LEASE PAYABLES (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1 Finance Lease Payables	II-8	-	-	-	-	-	-
10.2 Deferred finance lease expenses (-)	II-8	-	-	-	-	-	-
<b>XI. ACCRUED INTEREST AND EXPENSES PAYABLE</b>		<b>34,817</b>	<b>8,987</b>	<b>43,804</b>	<b>14,561</b>	<b>13,195</b>	<b>27,756</b>
11.1 Deposits	II-9	7,973	6,116	14,089	5,908	9,842	15,750
11.2 Borrowings	II-9	2,288	1,807	4,095	2,297	2,436	4,733
11.3 Repurchase agreements	II-9	23	-	23	31	-	31
11.4 Other	II-9	24,533	1,064	25,597	6,325	917	7,242
<b>XII. PROVISIONS</b>		<b>41,197</b>	<b>2,953</b>	<b>44,150</b>	<b>40,854</b>	<b>1,878</b>	<b>42,732</b>
12.1 General provisions	II-10	6,753	-	6,753	6,792	-	6,792
12.2 Reserve for employee termination benefits	II-10	1,896	-	1,896	1,952	-	1,952
12.3 Provisions for income taxes	II-10	21,554	2,953	24,507	23,683	1,878	25,561
12.4 Insurance technical reserves (Net)		10,457	-	10,457	7,822	-	7,822
12.5 Other provisions	II-10	537	-	537	605	-	605
<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. MINORITY INTEREST</b>		<b>21,495</b>	<b>-</b>	<b>21,495</b>	<b>21,454</b>	<b>-</b>	<b>21,454</b>
<b>XV. SHAREHOLDERS' EQUITY</b>		<b>237,319</b>	<b>36,185</b>	<b>273,504</b>	<b>240,736</b>	<b>44,896</b>	<b>285,632</b>
15.1 Paid-in capital	II-11	55,125	-	55,125	55,125	-	55,125
15.2 Supplementary capital	II-11	209,222	63	210,809	209,371	-	209,371
15.2.1 Share premium	II-12	-	-	-	-	-	-
15.2.2 Share cancellation profits		-	-	-	-	-	-
15.2.3 Marketable securities value increase fund		75	63	138	224	-	224
15.2.4 Revaluation fund		-	-	-	-	-	-
15.2.5 Value increase in revaluation fund		-	-	-	-	-	-
15.2.6 Other capital reserves		-	-	-	-	-	-
15.2.7 Effect on inflation accounting on share capital		209,147	-	209,147	209,147	-	209,147
15.3 Profit reserves		7,419	1,524	8,943	4,916	6,522	11,438
15.3.1 Legal reserves		7,419	-	7,419	4,916	-	4,916
15.3.2 Status reserves		-	-	-	-	-	-
15.3.3 Extraordinary reserves		-	-	-	-	-	-
15.3.4 Other profit reserves		-	1,524	1,524	-	6,522	6,522
15.4 Profit or loss		(34,447)	34,598	151	(28,676)	38,374	9,698
15.4.1 Prior year income/loss		(40,997)	32,234	(8,763)	(44,977)	25,695	(19,282)
15.4.1.1 Group's share		(30,338)	32,234	1,896	(33,538)	25,695	(7,843)
15.4.1.2 Minority shares		(10,659)	-	(10,659)	(11,439)	-	(11,439)
15.4.2 Current year income/loss		6,550	2,364	8,914	16,301	12,679	28,980
15.4.2.1 Group's share		7,460	2,364	9,824	15,166	12,679	27,845
15.4.2.2 Minority shares		(910)	-	(910)	1,135	-	1,135
<b>TOTAL LIABILITIES</b>		<b>948,667</b>	<b>2,624,863</b>	<b>3,573,530</b>	<b>884,961</b>	<b>3,244,665</b>	<b>4,129,626</b>

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

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

	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>207,301</b>	<b>268,112</b>	<b>94,611</b>	<b>157,778</b>
1.1 Interest on loans		100,215	112,253	48,083	65,986
1.1.1 Interest on TL loans		73,513	72,456	36,601	43,663
1.1.1.1 Short term loans		69,996	68,047	35,454	40,718
1.1.1.2 Medium and long term loans		3,517	4,409	1,147	2,945
1.1.2 Interest on foreign currency loans		26,542	39,533	11,430	22,116
1.1.2.1 Short term loans		16,182	33,480	8,002	17,837
1.1.2.2 Medium and long term loans		10,360	6,053	3,429	4,279
1.1.3 Interest on loans under follow-up		160	264	52	207
1.1.4 Premiums received from Resource Utilisation Support Fund		-	-	-	-
1.2 Interest received from reserve deposits		2,815	1,925	1,308	1,097
1.3 Interest received from banks		22,331	29,015	9,461	16,462
1.3.1 The Central Bank of Turkey		-	-	-	-
1.3.2 Domestic banks		13,588	5,217	7,369	2,233
1.3.3 Foreign banks		8,743	23,798	2,092	14,229
1.4 Interest received from money market transactions		48,210	56,475	19,953	28,094
1.5 Interest received from marketable securities portfolio		12,890	49,774	6,370	34,403
1.5.1 Trading securities		2,217	49,774	1,145	34,403
1.5.2 Available-for-sale securities		791	-	50	-
1.5.3 Held to maturity securities		9,882	-	5,175	-
1.6 Other interest income		20,840	18,670	9,437	11,736
<b>II. INTEREST EXPENSE</b>	III-2	<b>120,552</b>	<b>148,797</b>	<b>64,564</b>	<b>81,652</b>
2.1 Interest on deposits		84,771	99,593	40,498	51,649
2.1.1 Bank deposits		6,429	4,972	3,062	3,480
2.1.2 Saving deposits		38,916	30,501	22,243	15,042
2.1.3 Public sector deposits		-	4	-	3
2.1.4 Commercial deposits		27,845	16,001	12,402	6,705
2.1.5 Other institutions deposits		195	41	99	(20)
2.1.6 Foreign currency deposits		11,305	48,002	2,675	26,397
2.1.7 Precious metals vault accounts		81	72	17	42
2.2 Interest on money market transactions		-	36	-	6
2.3 Interest on funds borrowed		14,795	28,429	7,178	15,184
2.3.1 The Central Bank of Turkey		-	-	-	-
2.3.2 Domestic banks		4,384	4,408	2,190	2,383
2.3.3 Foreign banks		10,411	21,394	4,988	11,241
2.3.4 Other financial institutions		-	2,627	-	1,560
2.4 Interest on securities issued		-	-	-	-
2.5 Other interest expense		20,986	20,739	16,890	14,813
<b>III. NET INTEREST INCOME (I - II)</b>		<b>86,749</b>	<b>119,315</b>	<b>30,047</b>	<b>76,126</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>17,013</b>	<b>16,343</b>	<b>7,478</b>	<b>6,492</b>
4.1 Fees and commissions received		25,771	23,099	12,143	8,978
4.1.1 Cash loans		2,506	1,362	1,205	673
4.1.2 Non-cash loans		6,020	3,851	2,835	2,326
4.1.3 Other		17,245	17,886	8,103	5,979
4.2 Fees and commissions paid		8,758	6,756	4,664	2,486
4.2.1 Cash loans		1,327	742	671	(251)
4.2.2 Non-cash loans		319	146	194	19
4.2.3 Other		7,112	5,868	3,799	2,718
<b>V. DIVIDEND INCOME</b>		-	-	-	-
5.1 Trading securities		-	-	-	-
5.2 Available-for-sale securities		-	-	-	-
<b>VI. NET TRADING INCOME</b>		<b>12,892</b>	<b>332</b>	<b>21,337</b>	<b>(3,737)</b>
6.1 Profit/losses on trading account securities (Net)		13,274	5,724	11,714	2,783
6.2 Foreign exchange gains/losses (Net)		(382)	(5,392)	9,623	(6,520)
<b>VII. PROFIT/LOSS FROM HELD TO MATURITY MARKETABLE SECURITIES</b>	III-3	-	-	-	-
<b>VIII. OTHER OPERATING INCOME</b>	III-4	<b>8,854</b>	<b>17,322</b>	<b>4,284</b>	<b>13,673</b>
<b>IX. TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>		<b>125,508</b>	<b>153,312</b>	<b>63,146</b>	<b>92,554</b>
<b>X. PROVISION FOR LOAN LOSSES OR OTHER RECEIVABLES (-)</b>	III-5	<b>3,059</b>	<b>9,811</b>	<b>1,386</b>	<b>4,404</b>
<b>XI. OTHER OPERATING EXPENSES (-)</b>	III-6	<b>73,949</b>	<b>75,435</b>	<b>35,313</b>	<b>46,228</b>
<b>XII. NET OPERATING INCOME (IX-X-XI)</b>		<b>48,500</b>	<b>68,066</b>	<b>26,447</b>	<b>41,922</b>
<b>XIII. PROFIT/LOSSES FROM ASSOCIATES AND SUBSIDIARIES</b>	III-7	<b>170</b>	-	<b>170</b>	-
<b>XIV. NET POSITION INCOME/EXPENSE</b>		<b>(25,137)</b>	<b>(30,036)</b>	<b>862</b>	<b>(15,546)</b>
<b>XV. INCOME BEFORE TAXES (XII+XIII+ XIV)</b>		<b>23,533</b>	<b>38,030</b>	<b>27,479</b>	<b>26,376</b>
<b>XVI. PROVISION FOR TAXES ON INCOME (-)</b>		<b>14,619</b>	<b>16,322</b>	<b>7,337</b>	<b>10,318</b>
<b>XVII. NET OPERATING INCOME/EXPENSE AFTER TAXES (XV-XVI)</b>		<b>8,914</b>	<b>21,708</b>	<b>20,142</b>	<b>16,058</b>
<b>XVIII. EXTRAORDINARY INCOME/EXPENSE AFTER TAXES</b>		-	-	(5)	22
18.1 Extraordinary net income/expense before taxes		-	-	(5)	22
18.1.1 Extraordinary income		-	-	(40)	-
18.1.2 Extraordinary expense (-)		-	-	35	22
18.2 Provision for taxes on extraordinary income		-	-	-	-
<b>XIX. NET PROFIT/LOSSES (XVII+XVIII)</b>	III-8	-	-	-	-
<b>XX. Earnings/Losses per share</b>		<b>8,914</b>	<b>21,708</b>	<b>20,137</b>	<b>16,080</b>
		9,824	20,336	19,405	15,826
		(910)	1,372	732	254
		80.85	196.90	182.65	145.85

The accompanying notes are an integral part of these statements

(CONVENIENCE TRANSLATION OF A REVIEW REPORT AND FINANCIAL STATEMENTS  
 ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
 TÜRK EKONOMİ BANKASI A.S.  
 CONSOLIDATED STATEMENTS OF CONTINGENCIES AND COMMITMENTS AS OF JUNE 30,  
 2003 AND 2002  
 (Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)  
 IV- CONSOLIDATED STATEMENTS OF OFF-BALANCE SHEET COMMITMENTS

	Note Ref. (Section five)	Reviewed			Audited		
		TL	FC	TOTAL	TL	FC	TOTAL
OFF BALANCE SHEET COMMITMENTS							
<b>A. OFF BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>666,568</b>	<b>1,412,836</b>	<b>2,079,404</b>	<b>589,365</b>	<b>1,669,729</b>	<b>2,259,094</b>
<b>I. GUARANTEES</b>	IV-1	<b>328,403</b>	<b>690,781</b>	<b>1,019,184</b>	<b>295,327</b>	<b>765,961</b>	<b>1,061,288</b>
1.1. Letters of guarantee		327,460	269,854	597,314	295,200	352,057	647,257
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	19,434	96,747	77,750	52,357	130,107
1.1.3. Other letters of guarantee		215,258	250,351	465,609	185,672	299,418	485,090
1.2. Banks loans		871	43,754	44,625	-	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		871	-	871	-	-	-
1.3. Letters of credit		72	369,111	369,183	80	358,852	358,932
1.3.1. Documentary letters of credit		72	332,106	332,178	80	316,251	316,331
1.3.2. Other letters of credit		-	37,005	37,005	-	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		-	7,325	7,325	47	1,555	1,602
1.8. Other collaterals		-	737	737	-	8,505	8,505
<b>II. COMMITMENTS</b>		<b>202,734</b>	<b>126,688</b>	<b>329,422</b>	<b>202,033</b>	<b>367,010</b>	<b>569,043</b>
2.1. Irrevocable commitments		200,640	126,688	327,328	202,033	367,010	569,043
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	125,856	-	125,856
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		6,180	-	6,180	-	-	-
2.2. Revocable commitments		2,094	-	2,094	-	-	-
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		2,094	-	2,094	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	IV-2	<b>135,431</b>	<b>595,367</b>	<b>730,798</b>	<b>92,005</b>	<b>536,758</b>	<b>628,763</b>
3.1. Forward foreign currency buy/sell transactions		135,431	400,169	535,600	92,005	196,726	288,731
3.1.1. Forward foreign currency transactions-buy		50,620	208,730	259,350	23,415	119,227	142,642
3.1.2. Forward foreign currency transactions-sell		84,811	191,439	276,250	68,590	77,499	146,089
3.2. Swap transactions related to f.c. and interest rates		-	185,096	185,096	-	340,032	340,032
3.2.1. Foreign currency swap-buy		-	92,794	92,794	-	169,267	169,267
3.2.2. Foreign currency swap-sell		-	92,302	92,302	-	170,765	170,765
3.2.3. Interest rate swaps-buy		-	-	-	-	-	-
3.2.4. Interest rate swaps-sell		-	-	-	-	-	-
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>1,683,680</b>	<b>423,067</b>	<b>2,106,747</b>	<b>1,293,320</b>	<b>428,328</b>	<b>1,721,648</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>1,227,179</b>	<b>276,248</b>	<b>1,503,427</b>	<b>903,684</b>	<b>286,426</b>	<b>1,190,110</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	574,303	49,267	623,570
4.4. Commercial notes received for collection		27,604	15,990	43,594	14,042	23,373	37,415
4.5. Other assets received for collection		1,086	46,581	47,667	485	52,317	52,802
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		2,061	-	2,061	865	-	865
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>456,501</b>	<b>146,819</b>	<b>603,320</b>	<b>389,636</b>	<b>141,902</b>	<b>531,538</b>
5.1. Marketable securities		18,347	9,445	27,792	13,102	9,329	22,431
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	73,053	177,180	34,811	89,803	124,614
5.7. Pledged items-depository		-	-	-	-	-	-
<b>TOTAL COMMITMENTS (A+B)</b>		<b>2,350,248</b>	<b>1,835,903</b>	<b>4,186,151</b>	<b>1,882,685</b>	<b>2,098,057</b>	<b>3,980,742</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.  
CONSOLIDATED CONSOLIDATED STATEMENTS OF CHANGES IN 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- CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

	Note Ref.	Paid-in Capital	Effect of inflation Accounting on Capital	Share premium	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period		Prior Period Net Income/(Loss)	Revaluation Fund	Value Increase Fund	Marketable Securities Value Increase Fund	Total
									Net Income/(Loss)	Net Income/(Loss)					
<b>1</b>		55,125	209,147	-	4,916	-	-	6,522	28,980	(19,282)	-	224	285,632		
<b>Increases in the period :</b>															
2		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-
4		-	-	-	-	-	-	(4,998)	-	-	-	-	-	-	(4,998)
5		-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6		-	-	-	-	-	-	-	-	-	-	-	-	(86)	(86)
6.1		-	-	-	-	-	-	-	-	-	-	-	-	(86)	(86)
6.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-
7		-	-	-	15	-	-	-	8,914	-	(15,973)	-	-	15	8,914
8		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9		-	-	-	-	-	-	-	-	-	-	-	-	-	-
10		-	-	-	2,503	-	-	-	(28,980)	-	26,492	-	-	-	(15,973)
11		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Balance - June 30 2003 (1+2+3+4+5+6+7+8+9+10)</b>															
		55,125	209,147	-	7,419	-	-	1,524	8,914	(8,763)	-	138	273,504		

	Note Ref.	Paid-in Capital	Effect of inflation Accounting on Capital	Share premium	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period		Prior Period Net Income/(Loss)	Revaluation Fund	Value Increase Fund	Marketable Securities Value Increase Fund	Total
									Net Income/(Loss)	Net Income/(Loss)					
<b>1</b>		55,125	458,414	-	60,867	-	-	5,748	(66,198)	(258,301)	-	-	-	255,665	
<b>Increases in the period :</b>															
2		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-
4		-	-	-	-	-	-	2,184	-	-	-	-	-	-	2,184
5		-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.1		-	-	-	-	-	-	633	-	-	-	-	-	633	633
6		-	-	-	-	-	-	633	-	-	-	-	-	-	-
6.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-
7		-	-	-	-	-	-	-	21,708	2,806	-	-	-	2,806	2,806
8		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9		-	-	-	344	-	-	-	66,198	(66,542)	-	-	-	-	21,271
10		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Balance - June 30 2002 (1+2+3+4+5+6+7+8+9+10+11)</b>															
		55,125	458,414	-	61,211	-	-	8,565	21,708	(322,037)	-	-	-	282,986	

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.

CONSOLIDATED 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)

	Note Ref	Reviewed	Reviewed
		Current Period 01.01.2003 - 30.06.2003	Prior Period 01.01.2002 - 30.06.2002
<b>VI- CONSOLIDATED STATEMENTS OF CASH FLOWS</b>			
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1</b>		<b>58,084</b>	<b>-9,067</b>
<b>Operating profit before changes in operating assets and liabilities(+)</b>			
1.1.1		207,731	262,322
Interest received(+)			
1.1.2		(111,820)	(166,203)
Interest paid(-)			
1.1.3		-	-
Dividend received(+)			
1.1.4		25,771	23,099
Fees and commissions received(+)			
1.1.5		19,880	22,047
Other income(+)			
1.1.6		2,248	999
Collections from previously written off loans and other receivables(+)			
1.1.7		(33,748)	(32,195)
Payments to personnel and service suppliers(-)			
1.1.8		(57,805)	(30,342)
Taxes paid(-)			
1.1.9		5,827	(70,660)
Other			
<b>1.2</b>		<b>(437,086)</b>	<b>436,008</b>
<b>Changes in operating assets and liabilities</b>			
1.2.1		(28,457)	(10,397)
Net (increase) decrease in trading securities(+/-)			
1.2.2		20,230	4,040
Net (increase) decrease in due from banks and other financial institutions(+/-)			
1.2.3		149,445	(206,327)
Net (increase) decrease in loans			
1.2.4		(41,543)	9,189
Net (increase) decrease in other assets(+/-)			
1.2.5		(30,148)	(54,531)
Net increase (decrease) in bank deposits(+/-)			
1.2.6		(565,961)	448,899
Net increase (decrease) in other deposits(+/-)			
1.2.7		17,620	146,697
Net increase (decrease) in funds borrowed(+/-)			
1.2.8		-	-
Net increase (decrease) in matured payables(+/-)			
1.2.9		41,728	98,438
Net increase (decrease) in other liabilities(+/-)			
<b>I.</b>		<b>(379,002)</b>	<b>445,075</b>
<b>Net cash provided from banking operations(+/-)</b>			
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>		<b>(13,328)</b>	<b>(37,752)</b>
<b>Net cash provided from investing activities(+/-)</b>			
2.1		-	-
Cash paid for purchase of investments, associates and subsidiaries(-)			
2.2		-	774
Cash obtained from sale of investments, associates and subsidiaries(+)			
2.3		(2,952)	(6,118)
Fixed assets purchases(-)			
2.4		1,818	3,347
Fixed assets sales(+)			
2.5		(29,026)	-
Cash paid for purchase of securities available for sale (-)			
2.6		18,800	-
Cash obtained from sale of securities available for sale (+)			
2.7		(2,437)	(40,117)
Cash paid for purchase of investment securities(-)			
2.8		469	4,362
Cash obtained from sale of investment securities(+)			
2.9		-	-
Extraordinary items(+/-)			
2.10		-	-
Other (+/-)			
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>		<b>(15,973)</b>	<b>2,455</b>
<b>Net cash provided from financing activities(+/-)</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		(15,973)	-
Dividends paid(-)			
3.5		-	-
Payments for finance leases(-)			
3.6		-	-
Extraordinary items(+/-)			
3.7		-	2,455
Other(+/-)			
<b>IV.</b>		<b>(44,399)</b>	<b>(37,612)</b>
<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>			
<b>V.</b>		<b>(452,702)</b>	<b>372,166</b>
<b>Net increase / (decrease) in cash and cash equivalents(I+II+III)</b>			
<b>VI.</b>	VI-1	<b>2,078,214</b>	<b>1,554,326</b>
<b>Cash and cash equivalents at beginning of the year(+)</b>			
<b>VII.</b>	VI-1	<b>1,625,512</b>	<b>1,926,492</b>
<b>Cash and cash equivalents at end of the year</b>			

The accompanying notes are an integral part of these statements.

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### **SECTION THREE**

#### **ACCOUNTING PRINCIPLES**

##### **I. Basis of Presentation**

The Parent 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.

##### **Presentation of the financial statements in accordance with the current purchasing power of money**

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 parent company 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 VI, "Footnotes and Explanations on Inflation Accounting" of the following footnotes.

##### **Other valuation methods**

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 parent company 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.

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**II- Presentation of the Information Regarding the Parent Bank and the Group Companies  
Included in the Consolidation:**

Türk Ekonomi Bankası Anonim Şirketi and its financial institutions, The Economy Bank N.V. (Economy Bank), Petek International Holdings B.V. (Petek International), TEB Yatırım Menkul Değerler A.Ş. (TEB Yatırım), TEB Portföy Yönetimi A.Ş. (TEB Portföy), TEB Finansal Kiralama A.Ş. (TEB Leasing), TEB Factoring A.Ş. (TEB Factoring) and TEB Sigorta A.Ş. (TEB Sigorta) are included in the accompanying consolidated financial statements by full consolidation method. The provisions of the Communiqué 15 “The Standard of Preparation of Consolidated Financial Statements and Accounting for the Subsidiaries, Participations and the Entities and Participations Jointly Controlled” of the AAR were considered while determining the institutions to be consolidated. The Parent Bank and the institutions included in the consolidation will be named as “the Group”.

Certain changes were made on the financial statements of the subsidiaries, which were prepared in accordance with the principles and rules regarding financial statement and report presentation stated in the Turkish Commercial Code and/or Financial Leasing Law and/or XI/1 and XI/11 numbered communiqués of the Capital Board Market and any other communiqués which adds and changes statements at the formal communiqués, in order to present their financial statements in accordance with to AAR.

**Explanations on Consolidation Method and Scope**

The commercial names of the institutions included in consolidation and the locations of the head offices of these institutions:

Commercial Name:	Head Office
-----	-----
Economy Bank	Netherlands
Petek International	Netherlands
TEB Yatırım	İstanbul
TEB Portföy	İstanbul
TEB Leasing	İstanbul
TEB Factoring	İstanbul
TEB Sigorta	İstanbul

Full consolidation method is used for all the financial institutions included in the consolidation.

The unconsolidated subsidiary TEB Kıymetli Madenler Anonim Şirketi is valued at cost. The financial statements of TEB Kıymetli Madenler Anonim Şirketi is not included in the consolidation as of June 30, 2003 in accordance with the AAR’s materiality principle.

When there are differences between the accounting policies of the subsidiaries and the Parent Bank, the financial statements are adjusted in accordance with the ARR principles considering the materiality. The financial statements of the subsidiaries are prepared as of June 30, 2003 and December 31, 2002 and restated in accordance with the inflation accounting principles.

The transactions and balances between the Parent Bank and the subsidiaries are netted off.

No subsidiaries were acquired during the current period. The Group does not have any goodwill related to the subsidiaries. No difference occurred while applying the fair values at the foreign entities’ assets and liabilities. There are no subsidiaries disposed in at the current or previous periods.

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**Explanations on Foreign Currency Transactions**

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 Parent Bank and the resulting foreign exchange gains or losses are recorded in the statement of income as foreign exchange gain or loss. The USD exchange rate used for translating foreign currency transactions into Turkish Lira and reflecting these to consolidated financial statements as of June 30, 2003 is TL 1,407,647 (December 31, 2002 – TL 1,639,745 (in full TL)).

The Group's total net foreign exchange loss included in the net income of the period is TL (382) (June 30, 2002 – TL (5,392)). The foreign exchange loss results from recording of the foreign exchange gain amounting to TL 2,083 related to the foreign currency indexed loans under the "Interest Income" and from recording of the foreign exchange loss amounting to TL 11,039 related to the foreign currency indexed loans under the "Interest Expense" accounts in accordance with the Uniform Chart of Accounts. There are no capitalized foreign exchange losses.

The information regarding the principles of foreign currency risk management are stated in Section Four, Note III.

The net investment in foreign entities of the Group as of the related year-ends were translated into Turkish lira by applying the Parent Bank's exchange rates prevailing at respective dates. The resulting foreign exchange gains or losses are recorded in the statement of income.

There are no debt securities issued. Foreign exchange gains and losses arising from translating monetary financial assets are reflected to foreign exchange gains / (losses) in the statement of income.

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

The Parent Company 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.

As of June 30, 2003, foreign currency forward and swap transactions were evaluated by comparing year-end foreign exchange rates of the Parent Bank 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.

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**IV- 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.

**V- 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.

**VI- 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.

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

**VII- 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 in 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."

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

The Parent 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.

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

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

**IX- 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.

Foreign currency denominated financial assets included in the available for sale securities portfolio (Eurobonds) are 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 profit shares.

There are no financial assets that cannot be classified as securities held to maturity for two years because of tainting rules.

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.

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**X- Unconsolidated Participations and Subsidiaries**

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 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. The difference between the fair value and cost value of the participations valued at fair value is recorded to "Marketable Security Increase in Value Fund" under the Shareholders' Equity.

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.

There are no foreign currency unconsolidated participations or subsidiaries.

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

The Parent 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.

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 for group III, group IV, group V loans 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. 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. Foreign currency denominated loans are recorded at the Turkish Lira equivalent values at the recording dates and the foreign currency exchange gains generated from these loans are recorded under the interest income accounts.

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

The negative difference amounting to TL 634 ( 2002 – TL 634 ), between the cost of TEB Leasing and the Parent Bank's share in its equity, generating from the changes at the Parent Bank's participation structure in the year 2000 has been reflected in that related period's income statement in accordance with effective application date of AAR. The positive difference amounting to TL 412 ( 2002 – TL 412 ), between the cost of TEB Factoring and the Parent Bank's share in its equity is reflected under the intangible fixed assets as goodwill in the accompanying consolidated financial statements after deducting the accumulated amortization amounting to TL 289 ( 2002 – TL 247 ).

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 Parent Bank is soft wares. 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. Soft wares mainly used are developed within the Parent 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.

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.

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**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 Parent Bank records depreciation expense in each period for the leased assets. The depreciation rate is determined in accordance with the Communiqué No:2 "Accounting Standard of Tangible Fixed Assets" and the depreciation rate is 20%.

The gross lease receivables including interest and principal amounts regarding the Group's financial leasing activities conducted by TEB Leasing as "Lessor" are stated under the receivables from the financial leasing activities. The difference between the total of rent payments and the cost of the related fixed assets are reflected to the "unearned income" account. The interest income is calculated and recorded as prevailing a stable periodic income ratio over the lessor's investment on the leased item.

The Group expenses the rent payments made regarding the rent agreements made under operational activities throughout the rent period in equal amounts.

**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 Group immediately at the estimated amounts. The Parent Bank did not provide an additional provision for contingent liabilities as of June 30, 2003 apart from the doubtful receivable provision and general provision set in accordance with the released regulations.

**XVI- Liabilities Regarding Employee Benefits**

In accordance with the existing social legislation, the Group 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 Group 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 Group. In accordance with AAR, Communiqué No:10, the Group sets provision for retirement and notice pay liabilities by taking the actual payment rates for the previous 5 years into consideration. The Group has no employees contracted for determined periods.

As of June 30, 2003 the arithmetical average of the actual payments realized for the previous five years is 8.35% (December 31, 2003 - %8.44 ). The Parent Bank's consolidated participations and subsidiaries provided full reserve for retirement pay for the eligible personnel as of June 30, 2003 and 2002.

The Group employees are members of TEB'LİLER Foundation. The Parent Bank does not have any liability to this foundation. There are no liabilities that require additional provisions related to other employee rights.

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## **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.

The corporate tax rate for incomes of year 2002 is 30% and after adding the 10% of fund share, the effective corporate tax rate is applied as 33%. 19.8% withholding tax is calculated over the income excepted from corporate tax and investment incentives ( except investment incomes ). Additionally, if profit is distributed over the accumulated income including income of year 2002, the distributed part of income over which corporate tax is calculated is subject to 5.5% and 16.5% withholding tax in accordance with the fact that the Bank is quoted to stock exchange or not respectively.

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 % .

As long as the Group does not distribute the yearly income for 2003, there will not be any withholding taxes with regards to this income. The Parent Bank's distribution of profit to "Fully-liable" institutions will also be exempt from any withholding taxes. The Parent 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 of 10%.

The investment incentives taken into consideration while calculating the income subject to corporate tax, do not have to be related to any investment incentive documents after April 24, 2003, and the minimum deduction rate will be 40%, and additionally this amount will not be subject to withholding tax. It is possible to state the incentive rate as 40% for the investment incentives taken before April 24, 2003, and to except these from 19,8% of withholding tax by a written application made to the related tax office.

In accordance with the Tax Procedural Code, in every three-month period the temporary corporate tax is calculated at a rate of 30% ( 25% before April 24, 2003 ) and paid in cash. The paid temporary taxes are deducted from the tax liability calculated over the yearly income. The corporate tax will be paid at once during the yearly tax return period ( 2002- in 3 installments ).

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.

The Tax Procedural Code does not allow the corporate and income taxes to be calculated on consolidated basis. Accordingly, the current and deferred taxes reflected to the accompanying financial statements are calculated over company basis, separately.

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 Group 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.

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**XVIII- Additional Explanations on Borrowings**

The Parent Company Bank has not issued any debt securities.

The Group has not issued convertible bonds during the current period or the previous period.

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

The Parent Bank does not have any costs related to share issue. In the General Assembly meeting of the Parent Bank, dated March 27, 2003, it was decided that the profit for the year 2002, will be distributed to the shareholders, 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 Group.

**XXII- Securities at Custody**

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

**XXV- Other Matters**

***Explanation for convenience translation to English:***

The accounting principles used in the preparation of the accompanying consolidated financial statements differ from International Financial Reporting Standards (IFRS) and so far as such differences apply to the consolidated financial statements of the Bank they relate mainly, but not limited, to the format of consolidated 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 consolidated financial statements are not intended to present the consolidated financial position and results of its consolidated operations in accordance with accounting principles generally accepted in the countries of users of the financial statements and IFRS.

There are other matters that are required to be disclosed.

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**SECTION FOUR**

**INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP**

**I- Consolidated 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. The consolidated capital adequacy ratio of the Parent Company Bank, calculated in accordance with the Communiqué on "Measurement and Assessment of Banks Capital Adequacies " is %16.13 ( December 31, 2002 – 16.75% ).

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 Bank" 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.

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**Information related to the capital adequacy ratio:**

	Consolidated				Parent Bank			
	Risk Weight				Risk Weight			
	0%	20%	50%	100%	0%	20%	50%	100%
<b>Risk Weighted Assets, Liabilities and Non Cash Loans</b>								
Balance Sheet items (Net)	1,083,784	916,654	151,374	1,215,764	844,543	300,652	38,434	873,726
Cash	71,600	-	-	-	71,584	-	-	-
Due from banks	365,428	916,654	-	41,754	365,428	300,652	-	5,600
Interbank money market placements	243,939	-	-	-	243,939	-	-	-
Receivables from reverse repo transactions	5,460	-	-	-	-	-	-	-
Reserve deposits	122,817	-	-	-	122,817	-	-	-
Special finance houses	-	-	-	-	-	-	-	-
Loans	251,939	-	38,434	1,097,547	32,982	-	38,434	814,229
Loans under follow-up (Net)	-	-	-	5,200	-	-	-	5,200
Subsidiaries, associates and investments held to maturity	-	-	-	-	-	-	-	-
Miscellaneous receivables	-	-	-	1,427	-	-	-	878
Marketable securities held to maturity (Net)	-	-	-	-	-	-	-	-
Advances for assets acquired by financial leasing	-	-	-	-	-	-	-	-
Financial lease receivables	-	-	112,940	-	-	-	-	-
Leased assets (Net)	-	-	-	-	-	-	-	-
Fixed assets (Net)	-	-	-	37,914	-	-	-	33,964
Other assets	22,601	-	-	31,922	7,793	-	-	13,855
Off balance sheet items	155,554	426,993	268,782	42,273	146,584	393,615	262,602	39,281
Guarantees and pledges	20,961	421,255	68,142	26,344	16,527	387,889	68,142	24,321
Commitments	126,688	-	200,640	-	126,688	-	194,460	-
Other off balance sheet items	-	-	-	-	-	-	-	-
Transactions related with derivative financial instruments	-	-	-	3,647	-	-	-	4,085
Interest and income accruals	7,905	5,738	-	12,282	3,369	5,726	-	10,875
Non risk weighted accounts	-	-	-	-	-	-	-	-
<b>Total Assets Subject to Risk</b>	<b>1,239,338</b>	<b>1,343,647</b>	<b>420,156</b>	<b>1,258,037</b>	<b>991,127</b>	<b>694,267</b>	<b>301,036</b>	<b>913,007</b>
<b>Total Risk Weighted Assets</b>	<b>-</b>	<b>268,729</b>	<b>210,078</b>	<b>1,258,037</b>	<b>-</b>	<b>138,853</b>	<b>150,518</b>	<b>913,007</b>

**Summary information related to the capital adequacy ratio:**

	Consolidated		Parent Bank	
	Current Period	Prior Period	Current Period	Prior Period
Total Risk Weighted Assets (*)	1,788,946	1,824,955	1,247,112	1,229,328
Shareholders' Equity	288,540	305,736	186,619	189,301
Shareholders' Equity / Total risk weighted assets (CAR (%))	16.13	16.75	14.96	15.40

(\*) The above mentioned amounts consist of base amounts of the market risk which are TL 52,102 and TL 44,734 as consolidated and as for the Parent Bank basis, respectively, for the current period and TL 56,014 and TL 21,933 for the previous period.

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Information related to the shareholders' equity components :

	Consolidated		Parent Bank	
	Current Period	Prior Period	Current Period	Prior Period
<b>MAIN CAPITAL</b>				
Paid-in Capital	55,125	55,125	55,125	55,125
Nominal capital	55,125	55,125	55,125	55,125
Capital commitments (-)	-	-	-	-
Effect on Inflation Accounting on Share Capital	209,147	209,147	209,147	209,147
Share Premium	-	-	-	-
Legal Reserves	8,943	11,439	2,390	-
First legal reserve (Turkish Commercial Code 466/1)	7,419	4,917	2,390	-
Second legal reserve (Turkish Commercial Code 466/2)	-	-	-	-
Other legal reserve per special legislation	1,524	6,522	-	-
Statute Reserves	-	-	-	-
Extraordinary reserves	-	-	-	-
Reserves allocated by the General Assembly	-	-	-	-
Retained earnings	-	-	-	-
Accumulated loss	-	-	-	-
Foreign currency share capital exchange difference	-	-	-	-
Profit	8,914	28,980	22,393	20,638
Current period profit	8,914	28,980	20,118	20,638
Prior period profit	-	-	2,275	-
Loss (-)	(8,763)	(19,282)	-	-
Current period loss	-	-	-	-
Prior period loss	(8,763)	(19,282)	-	-
<b>Total Main Capital</b>	<b>273,366</b>	<b>285,409</b>	289,055	284,910
<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	6,753	6,792
Provisions for Possible Losses	-	-	-	-
Subordinated Loans	21,115	27,418	21,115	27,418
Marketable Securities and Investment Securities Value Increase Fund	138	224	68	224
Associates and subsidiaries	138	224	68	224
Available for sale securities	-	-	-	-
Structured positions	-	-	-	-
<b>Total Supplementary Capital</b>	<b>28,006</b>	<b>34,434</b>	27,936	34,434
<b>TIER III CAPITAL</b>				
<b>CAPITAL</b>	<b>301,372</b>	<b>319,842</b>	316,991	319,344
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>12,832</b>	<b>14,107</b>	130,372	130,043
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	720	871	121,383	119,072
Leasehold improvements	7,829	8,414	6,023	7,113
Start-up costs	-	-	-	-
Prepaid expenses	4,160	4,657	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)	123	165	-	-
Capitalized expenses	-	-	-	-
<b>Total Shareholder's Equity</b>	<b>288,540</b>	<b>305,736</b>	<b>186,619</b>	<b>189,301</b>

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## II- Consolidated Market Risk

The Group 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 Groups" announced in the 24312 numbered and February 8, 2001 dated Official Gazette.

The interest rate and exchange rate risks of the financial positions taken by the Group 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 Parent 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.

	Consolidated	Parent Bank
Capital to be employed for interest rate risk – standard method	2,529	2,431
Capital to be employed for general market risk	2,522	2,431
Capital to be employed for specific risk	7	-
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	1,639	1,148
Capital liability	1,639	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	4,168	3,579
Amount subject to market risk	52,102	44,734

## III- Consolidated 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 Parent 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 Group's risk management strategies, foreign currency liabilities are hedged against exchange rate risk by derivative instruments.

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The Board of Directors of the Parent 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 Group's net long position is TL 8,175 (December 31, 2002 - TL 24,087, net short) resulting from short position amounting to TL 9,608 (December 31, 2002- TL 64,318) on the balance sheet and long position amounting to TL 17,783 (December 31, 2002 - 40,231 ) from off-balance sheet position.

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

	23/6/03	24/6/03	25/6/03	26/6/03	27/6/03	30/6/03
USD	1,425,412	1,430,099	1,431,814	1,426,927	1,421,717	1,407,647
CHF	1,070,660	1,077,748	1,076,602	1,062,049	1,048,790	1,035,502
GBP	2,364,948	2,384,162	2,385,588	2,375,020	2,352,848	2,322,246
JPY	12,052	12,118	12,160	12,006	11,849	11,712
EUR	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 June 30, 2003 is as follows:

	Monthly Average FX rates
USD	1,418,523
CHF	1,072,841
GBP	2,354,887
JPY	11,958
EUR	1,655,554

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

Current Period	EUR	USD	YEN	OTHER FC	TOTAL
<b>Assets</b>					
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	23,232	388,756	-	2,605	414,593
Due from other Banks and financial institutions	95,902	726,995	518	64,191	887,605
Trading securities (**)	3,258	10,790	-	352	14,401
Investment securities available-for-sale	-	29,018	-	-	29,018
Loans (**)	250,230	650,084	-	8,343	908,656
Investments in subsidiaries and participations	-	-	-	-	-
Investment securities held-to-maturity	-	1,364	-	1,148	2,512
Property and equipment	1,486	-	-	-	1,486
Goodwill	-	-	-	-	-
Other assets	102,153	241,265	-	13,685	357,103
<b>Total Assets</b>	<b>476,260</b>	<b>2,048,272</b>	<b>518</b>	<b>90,323</b>	<b>2,615,374</b>
<b>Liabilities</b>					
Bank deposits	4,629	7,979	119	31,716	44,443
Foreign currency deposits (*)	284,710	1,708,033	580	43,890	2,037,213
Funds provided from other financial institutions	47,342	377,128	-	11,527	435,997
Marketable securities issued	-	-	-	-	-
Miscellaneous payables	16,009	16,651	-	1,207	33,867
Other liabilities	48,320	19,873	-	5,269	73,462
<b>Total liabilities</b>	<b>401,010</b>	<b>2,129,664</b>	<b>699</b>	<b>93,609</b>	<b>2,624,982</b>
Net Balance Sheet Position	75,250	(81,392)	(181)	(3,285)	(9,608)
Net Off-Balance Sheet Position	(69,201)	87,724	-	(740)	17,783
Financial derivative assets	104,246	191,180	-	11,149	306,575
Financial derivative liabilities	173,447	103,456	-	11,889	288,792
Non-cash loans (***)	194,742	465,183	6,287	24,569	690,781
<b>Prior Period</b>					
Total Assets	521,872	2,564,549	21,312	113,271	3,221,003
Total Liabilities	460,396	2,711,703	900	112,324	3,285,322
Net Balance Sheet Position	61,476	(147,154)	20,412	948	(64,318)
Net Off-Balance Sheet Position	(115,754)	188,511	(20,157)	(12,369)	40,231
Non-cash loans (***)	197,398	535,507	4,727	28,330	765,961

(\*) Gold account deposits amounting to TL 9,325 (December 31, 2002 – TL 25,037) are included in the foreign currency deposits.

(\*\*) Foreign currency indexed factoring receivables amounting to TL 9,263 are included in the other assets, loans amounting to TL 58,796 (December 31, 2002 – TL 89,632) are included in the loan portfolio, and foreign currency indexed factoring payables amounting to TL 119 are included in the other liabilities.

(\*\*\*) Foreign currency indexed marketable securities amounting to TL 219 (December 31, 2002 – TL 243) are included in the trading portfolio.

(\*\*\*\*)The amount does not have any impact on the net off-balance sheet position.

#### IV- Consolidated Interest Rate Risk

Interest rate risk shows the loss probability related to the changes in the interest rates depending on the Parent 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 reprising. 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 Group'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.

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Work is performed regarding interest income according to the macro economical indicators in the Group'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 Group does not permit or imposes limits on maturity mismatches, it is not expected that the Group will face a significant interest rate risk.

**Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items based on reprising 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	488,246	-	-	-	-	71,599	559,845
Due from Banks and other financial institutions	1,017,349	17,962	15,323	4,000	-	153,169	1,207,803
Trading securities	3,846	3,032	9,591	21,494	46,298	-	84,261
Securities available-for-sale	8	-	-	6,572	22,446	-	29,026
Loans	434,748	330,717	220,421	210,968	104,239	8,115	1,309,208
Securities held-to-maturity	1,743	36,632	1,148	1,638	-	-	41,161
Other assets	31,462	65,024	68,148	40,429	69,476	67,687	342,226
<b>Total Assets</b>	<b>1,977,402</b>	<b>453,367</b>	<b>314,631</b>	<b>285,101</b>	<b>242,459</b>	<b>300,570</b>	<b>3,573,530</b>
<b>Liabilities</b>							
Bank deposits	73,927	12,098	1,200	-	-	167	87,392
Other deposits	1,973,265	149,280	60,940	114,912	58,863	86,944	2,444,204
Miscellaneous payables	721	55	-	-	-	49,750	50,526
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	61,650	45,875	329,472	26,404	16,340	-	479,741
Other liabilities	43,961	13,815	49,887	14,914	1,989	387,101	511,667
<b>Total Liabilities</b>	<b>2,153,524</b>	<b>221,123</b>	<b>441,499</b>	<b>156,230</b>	<b>77,192</b>	<b>523,962</b>	<b>3,573,530</b>
Balance Sheet Interest Sensitivity Gap	(176,123)	232,244	(126,868)	128,871	165,268	(223,392)	-
Off Balance Sheet Interest Sensitivity Gap	-	-	-	-	-	-	-
<b>Total Interest Sensitivity Gap</b>	<b>(176,123)</b>	<b>232,244</b>	<b>(126,868)</b>	<b>128,871</b>	<b>165,268</b>	<b>(223,392)</b>	<b>-</b>

The other asset line at the without interest column consists of TL 45,743 amount tangible fixed assets, TL 4,371 of intangible fixed assets, TL 373 of participations and TL 347 of subsidiaries and the other liability line consists of equity total amounting to TL 273,504 and TL 21,495 amount minority interest.

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	Up to 1 Months	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Demand	Total
<b>Prior Period</b>							
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	529,170	-	-	-	-	96,992	626,161
Due from Banks and other financial institutions	1,508,349	16,649	12,354	2,976	-	74,352	1,614,680
Trading securities	2,818	31,941	12,399	7,555	790	303	55,806
Securities available-for-sale	-	18,790	-	-	-	10	18,800
Loans	447,309	281,775	335,190	172,406	221,976	5,531	1,464,187
Securities held-to-maturity	231	40,521	1,719	1,447	250	-	44,167
Other assets	6,074	90,279	16,498	25,549	35,081	132,344	305,825
<b>Total Assets</b>	<b>2,493,950</b>	<b>479,954</b>	<b>378,160</b>	<b>209,933</b>	<b>258,097</b>	<b>309,532</b>	<b>4,129,626</b>
Liabilities							
Bank deposits	113,492	2,933	1,115	-	-	-	117,540
Other deposits	2,495,912	180,862	59,077	91,457	182,856	-	3,010,163
Miscellaneous payables	-	-	-	-	-	66,677	66,677
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	37,407	220,909	83,337	112,722	11,004	-	465,379
Other liabilities	2,999	38,177	1,206	260	-	427,226	469,867
<b>Total Liabilities</b>	<b>2,649,810</b>	<b>442,880</b>	<b>144,735</b>	<b>204,438</b>	<b>193,859</b>	<b>493,903</b>	<b>4,129,626</b>
Balance Sheet Interest Sensitivity Gap	(155,860)	37,074	233,425	5,495	64,237	(184,371)	-
Off Balance Sheet Interest Sensitivity Gap	-	-	-	-	-	-	-
<b>Total Interest Sensitivity Gap</b>	<b>(155,860)</b>	<b>37,074</b>	<b>233,425</b>	<b>5,495</b>	<b>64,237</b>	<b>(184,371)</b>	<b>-</b>

The other asset line at the without interest column consists of TL 47,208 amount tangible fixed assets, TL 4,336 of intangible fixed assets, TL 377 of participations and TL 494 of subsidiaries and the other liability line consists of equity total amounting to TL 285,632 and TL 21,454 amount minority interest.

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

	EURO %	USD %	YEN %	TL %
<b>Current Period</b>				
Assets				
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
Liabilities				
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- Consolidated 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.

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.

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The Group'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 Boards of Directors of the Group 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 Group, 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 Group 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 Parent 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	559,845	-	-	-	-	559,845
Due from Banks and other financial institutions	1,167,172	21,312	15,323	4,000	-	1,207,807
Trading securities	1,644	1,981	9,591	22,767	48,277	84,260
Securities available-for-sale	9	-	-	6,571	22,446	29,026
Loans	442,863	325,889	220,421	210,968	109,068	1,309,209
Securities held-to-maturity	-	282	1,148	39,731	-	41,161
Other assets(***)	47,083	69,093	69,703	41,150	59,559	342,222
<b>Total Assets</b>	<b>2,218,616</b>	<b>418,557</b>	<b>316,186</b>	<b>325,187</b>	<b>239,350</b>	<b>3,573,530</b>
<b>Liabilities</b>						
Bank deposits	74,094	12,098	1,200	-	-	87,392
Other deposits	2,060,209	149,280	60,940	114,912	58,863	2,444,204
Funds provided from other financial institutions	61,650	31,438	234,396	55,586	93,624	476,695
Marketable securities issued	-	-	-	-	-	-
Miscellaneous payables	43,189	2,718	2,772	4,913	-	53,591
Other liabilities(**)	115,094	11,218	48,180	33,592	303,564	511,648
<b>Total Liabilities</b>	<b>2,354,236</b>	<b>206,752</b>	<b>347,488</b>	<b>209,003</b>	<b>456,051</b>	<b>3,573,530</b>
<b>Net Liquidity Gap</b>	<b>(135,620)</b>	<b>211,805</b>	<b>(31,302)</b>	<b>116,184</b>	<b>(216,701)</b>	<b>-</b>
<b>Prior Period</b>						
Total Assets	2,748,349	425,463	377,727	209,819	315,846	4,129,626
Total Liabilities	3,066,056	330,307	152,976	304,205	276,083	4,129,626
<b>Net Liquidity Gap</b>	<b>(317,707)</b>	<b>95,156</b>	<b>224,751</b>	<b>(94,386)</b>	<b>39,763</b>	<b>-</b>

(\*) The maturity of up to 1 month of interbank funds sold amounting to TL 243,939, reverse repurchase agreement receivables amounting to TL 5,460, loans amounting to TL 434,748, and domestic and foreign Banks placements amounting to TL 767,950 are shown in the demand column. Furthermore, deposits with maturities up to one month amounting to TL 1,973,265 is included in the other deposits and shown at the demand columns.

(\*\*)The 1 year and over column of the other liabilities consist of shareholders' equity amounting to TL 273,504 and minority interest amounting to TL 21,495.

(\*\*\*) An amount of TL 55,634 of the total column consists of subsidiaries and participations amounting to TL 720, prepaid expenses amounting to TL 4,160, tangible fixed assets amounting to TL 45,743, intangible fixed assets amounting to TL 4,371 and office supply inventory amounting to TL 640 and those are not taken in to consideration at the maturity distribution.

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## SECTION FIVE

## FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS

## I. Footnotes and Explanations Related to the Consolidated 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	365,633
<b>Total</b>	<b>365,428</b>	<b>382,131</b>

## 2. Additional information of trading portfolio ( stated at net values ) :

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>

## 5. 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.

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## 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	62,662	1,193	112,564	7,502
Corporate shareholders	62,662	1,193	112,564	7,502
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	703	13	839	-
<b>Total</b>	<b>63,365</b>	<b>1,206</b>	<b>113,403</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	Loans and Other Receivables	Restructured or Rescheduled
Non-specialized loans		1,304,356	-	4,305
Discount notes		35,822	-	-
Export loans		455,678	-	-
Import loans		-	-	-
Loans given to financial sector		108,132	-	-
International loans		77,988	-	-
Consumer loans		23,785	-	-
Credit cards		16,415	-	-
Precious metals loans		5,422	547	-
Other		581,114	-	4,305
Specialized loans		-	-	-
Other receivables		-	-	-
<b>Total</b>		<b>1,304,356</b>	<b>547</b>	<b>4,305</b>

c) Information on consumer loans:

	Short Term	Medium and Long Term	Total	Interest Income	Accrual
<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>	1,628	7,692	9,320		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	13	-	13		-
Other consumer loans	273	-	273		-
<b>Credit cards</b>	16,415	-	16,415		-
<b>Total Consumer Loans</b>	<b>26,796</b>	<b>13,404</b>	<b>40,200</b>		<b>469</b>

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d) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	1,215,529	1,354,484
Foreign loans	93,679	104,170
<b>Total</b>	<b>1,309,208</b>	<b>1,458,654</b>

e) Loans granted to subsidiaries and investments: None.

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	14,708	16,775
<b>Total</b>	<b>15,066</b>	<b>17,045</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	21,159
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 differences (-)	144	40	2,252
Current period end balance	353	1,084	18,829
Specific provisions (-)	105	253	14,708
<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:

	III. Group:	IV. Group:	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Period end balance	-	-	35
Specific provisions (-)	-	-	35
<b>Net Balances on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

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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.

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

a) Information on held to maturity portfolio:

	Current Period	Prior Period
Debt securities	41,161	44,168
Quoted in a stock exchange	40,013	44,168
Not quoted	1,148	-
Provision for impairment (-)	-	-
<b>Total</b>	<b>41,161</b>	<b>44,168</b>

b) Movement of Held to Maturity Portfolio:

	Current Period	Prior Period
Beginning balance	44,168	98,814
Effect of inflation (-)	4,182	23,373
Foreign currency differences on monetary assets	(613)	5,890
Purchases during year	2,437	44,168
Disposals through sales and redemptions	(469)	(81,331)
Impairment provision	(180)	-
<b>Closing Balances</b>	<b>41,161</b>	<b>44,168</b>

c.1) Information on accounts in which investment securities held-to-maturity are 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	38,649	1,364	37,841	1,392	41,002	-	41,817	-
Subject to repo transactions	-	-	-	-	-	-	-	-
Held for structural position	-	-	-	-	-	-	-	-
Receivables from securities lending	-	-	-	-	-	-	-	-
Other (*)	-	1,148	-	1,223	-	3,166	-	3,240
Collaterals on securities lending	-	-	-	-	-	-	-	-
<b>Closing Balances</b>	<b>38,649</b>	<b>2,512</b>	<b>37,841</b>	<b>2,615</b>	<b>41,002</b>	<b>3,166</b>	<b>41,817</b>	<b>3,240</b>

(\*) The free marketable securities held by the Group is stated at the Other line.

c.2) Marketable securities held to maturity given as collateral consist of public sector debt securities of TL 40,013, given as collateral for statutory requirements.

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Securities held-to-maturity given as collateral or blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bonds and similar investment securities	40,013	-	41,002	-
Other	-	-	-	-
<b>Total</b>	<b>40,013</b>	<b>-</b>	<b>41,002</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 investments (Net):**

a.1) Information on unconsolidated participations :

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

a.2) Information on investments as presented in table a.1:(\*):

Total Assets	Total Equity	Total Fixed Assets	Interest Income	Marketable Securities Income	Current Period Income/Loss	Prior Period Income/Loss	Fair Value
1,400	1,376	5	-	-	6	55	1,020

(\*) The financial statements of Varlık Yatırım Ortaklığı A.Ş. are prepared in accordance with the Capital Market Board Regulations. The current period data is presented as of June 30, 2003 and the prior period income / loss amounts are presented with their nominal values as of December 31, 2002.

a.3) Out of Group members / shareholders who has the control power with the parent company and/or other members of the financial group are explained: 66% shares of the unconsolidated participation Varlık Yatırım Ortaklığı A.Ş. is publicly traded.

a.4) The reason for not consolidating the unconsolidated participations and the method of recording the unconsolidated participations at the Parent Bank's financials: The participation is not consolidated due to materiality principle, is quoted at the stock exchange and is valued by fair value.

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## b) Information on the consolidated participations:

## b.1) Information on the consolidated participations:

	Current Period	Prior Period
Balance at the beginning of the period	5,931	4,749
Movements during the period	-	1,182
Purchases	-	749
Free shares obtained profit from current year's share	-	433
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Provision for impairment	-	-
<b>Balance at the end of the period</b>	<b>5,931</b>	<b>5,931</b>
Capital commitments		
Share percentage at the end of the period (%)	%50.00	%50.00

## b.2) Valuation of investments made to the consolidated participations:

	Current Period	Prior Period
Valuation with cost	5,931	5,931
Valuation with fair value	-	-
Valuation with equity method	-	-
<b>Total</b>	<b>5,931</b>	<b>5,931</b>

The above mentioned participation is stated at cost at the unconsolidated financial statement of the Parent Company Bank.

## b.3) Sectoral information and the related carrying amounts on consolidated investments:

Participations	Current Period	Prior Period
Insurance companies/TEB Sigorta A.Ş.	5,931	5,931
<b>Total</b>	<b>5,931</b>	<b>5,931</b>

## b.4) Investments which are quoted to a stock exchange: None.

## b.5) Information related to investments that are included in consolidation:

Description	Address (City / Country))	Bank's share percentage-If different voting percentage(%)	Group's risk group share percentage (%)	Method of Consolidation
TEB Sigorta A.Ş.	İstanbul / Turkey	50.00	50.00	Full

Since the management of the company is controlled by the Parent Bank, line by line consolidation method is used.

Participation as presented above (\*):

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	-

(\*) The financial statements of TEB Sigorta A.Ş. is prepared in accordance with the principles of Insurance Law and the current year data is stated as of June 30, 2003 and the previous period data is stated as of December 31, 2002.

## b.6) Information on consolidated investments which are sold in current period : None.

## b.7) Consolidated investments purchased in the current period: None.

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7. Information on Subsidiaries (Net):

a) Information on unconsolidated subsidiaries:

TEB Kıymetli Madenler Anonim Şirketi is not included in the consolidation in accordance with AAR's materiality principle.

a.1) Information on unconsolidated subsidiaries:

Description	Address(City/ Country)	Bank's share percentage-If different voting percentage(%)	Group's risk group share percentage (%)
TEB Kıymetli Madenler A.Ş.	İstanbul/Turkey	66.00	71.81

a.2) Information on subsidiaries as presented in table a.1 (\*):

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair Value
237	231	-	-	-	(40)	40	-

(\*) The amounts at the financial statements are presented with their nominal values as of June 30, 2003.

b) Information on the consolidated subsidiaries.

b.1) Information on the consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	124,322	110,603
Movements during the period	3,157	13,719
Purchases	-	7,665
Free shares obtained profit from current year's share	10,971	5,038
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>127,479</b>	<b>124,322</b>
Capital commitments	-	-
Share percentage at the end of the period (%)		

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

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## b.2) Valuation of investments made to the consolidated 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	127,479	124,322
Valuation with fair value	-	-
Valuation with equity method	-	-

## b.3) Sectoral information on consolidated subsidiaries and the related carrying amounts:

		Current Period	Prior Period
Banks	/ The Economy Bank N.V.	48,285	47,904
Other Financial Sub.	/ Petek International Holdings B.V.	724	863
	TEB Yatırım Men.Değ. A.Ş.	29,851	26,936
	TEB Portföy Yönetimi A.Ş.	3,224	3,224
Leasing Companies	/ TEB Finansal Kiralama A.Ş.	27,951	27,951
Factoring Companies	/ TEB Factoring A.Ş.	17,444	17,444
		<b>127,479</b>	<b>124,322</b>
<b>Total</b>			

## b.4) Consolidated subsidiaries which are quoted to a stock exchange: None.

## b.5) Information related to subsidiaries that are included in consolidation:

Description	Address (City / Country))	Bank's share percentage-If different voting percentage(%)	Group's risk group share percentage (%)	Method of Consolidation
The Economy Bank N.V.	Netherlands	100.00	-	Full
Petek International Holdings B.V.	Netherlands	100.00	-	Full
TEB Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	74.80	25.20	Full
TEB Portföy Yönetimi A.Ş.	İstanbul/Turkey	55.89	44.11	Full
TEB Finansal Kiralama A.Ş.	İstanbul/Turkey	68.76	31.24	Full
TEB Factoring A.Ş.	İstanbul/Turkey	65.80	34.20	Full

Information on subsidiaries as presented in table 10. b.5:

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	-
4,843	4,305	602	432	76	617	876	-
185,328	61,569	159,531	642	-	29,987	4,141	-
85,621	7,951	178	6,608	-	1,274	500	-

(\*) Information is disclosed in statutory amounts.

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b.6) Information on the consolidated subsidiaries that were disposed in current period: None.

b.7) Information on the consolidated subsidiaries purchased in current period: None.

**8. Information on financial lease receivables (Net):**

a) Aging of leasing receivables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	80,528	70,198	70,890	61,960
Between 1-4 years	45,912	42,134	32,897	30,920
Over 4 years	669	608	4,269	1,925
<b>Total</b>	<b>127,109</b>	<b>112,940</b>	<b>108,056</b>	<b>94,805</b>

**9. Information on receivables arising from term sales of assets included in miscellaneous receivables:**  
None.

**10. Explanations related to interest and income accruals:**

a) Information about accrued interest and income receivables of loans:

Accrued interest and income receivables	Current Period		Prior Period	
	TL	FC	TL	FC
Interest accruals - due	242	1	254	-
Interest accruals - not due	8,316	8,229	10,165	10,943
Loan commissions and other income accruals - due	-	-	-	-
Loan commissions and other income accruals - not due	17	5	12	1
<b>Total</b>	<b>8,575</b>	<b>8,235</b>	<b>10,431</b>	<b>10,944</b>

b) Information on other interest and income accruals:

Other interest and income accruals	Current Period		Prior Period	
	TL	FC	TL	FC
Trading securities	5,865	99	3,874	125
Securities available for sale	-	515	-	399
Securities held to maturity	780	75	815	75
Interest accruals of reverse repo transactions	6	-	-	-
Interest accruals of reserve deposits	1,163	175	1,026	276
Income accruals of financial derivative instruments	3,936	167	4,164	351
Interest and income accruals	4	12	-	-
Income accrual of foreign exchange gains	3,932	155	4,164	351
Income accruals of financial lease income	107	455	147	669
Other	8,226	292	6,378	594
<b>Total</b>	<b>20,083</b>	<b>1,778</b>	<b>16,404</b>	<b>2,489</b>

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11. Information on other assets:

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

	Current Period	Prior Period
Deferred tax	9,150	2,277
Advances given	82	206
Prepaid rent expenses	405	459
Transaction cost related to financial liabilities	812	2,291
Prepaid taxes	5,518	12,031
Financial lease agreements in progress	5,663	1,558
Leasing premium receivable	16,350	14,790
Other	16,456	10,399
<b>Total</b>	<b>54,436</b>	<b>44,011</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.

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## II- Footnotes and Explanations Related to the Consolidated 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	38,708	30,855	68,804	75,042	45,474	42,108	32,104
Foreign currency deposits	360,521	-	436,261	281,985	25,980	7,365	373
Residents in Turkey	343,323	-	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	107,531	541,432	101,041	38,451	28,749	77,732	38,784
Other institutions deposits	38,938	-	5,458	307	11	1	-
Precious metals deposits	4,000	-	-	4,688	-	637	-
Interbank deposits	8,528	-	35,099	42,565	1,200	-	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	278	-	5,742	-	-	-	-
Foreign Banks	3,749	-	29,357	42,565	1,200	-	-
Special finance houses	4,501	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>569,089</b>	<b>572,287</b>	<b>646,663</b>	<b>443,038</b>	<b>101,414</b>	<b>127,843</b>	<b>71,261</b>

#### a.2) Prior 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	19,576	-	87,222	42,901	13,971	3,646	15,014
Foreign currency deposits	510,078	-	1,326,614	395,939	83,255	85,361	182,810
Residents in Turkey	437,565	-	549,798	341,789	32,943	7,880	376
Residents abroad	72,513	-	776,816	54,150	50,312	77,481	182,434
Public sector deposits	39	-	-	-	-	-	-
Commercial deposits	60,390	-	107,027	4,766	9,484	5	15
Other institutions deposits	36,517	-	478	16	8	1	-
Precious metals deposits	10,828	-	-	12,627	-	1,576	-
Interbank deposits	22,211	-	77,247	16,967	-	1,115	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	12,293	-	-	-	-	1,115	-
Foreign Banks	9,918	-	77,247	-	-	-	-
Special finance houses	-	-	-	16,967	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>659,639</b>	<b>-</b>	<b>1,598,588</b>	<b>473,216</b>	<b>106,718</b>	<b>91,704</b>	<b>197,839</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	Under the	Exceeding the	Exceeding the
	guarantee of	guarantee of	limit of	limit of
	saving deposit	saving deposit	limit of	limit of
	insurance	insurance	saving deposit	saving deposit
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	70,102	27,164	262,993	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>718,821</b>	<b>866,380</b>

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- b.2) The Group which has settled abroad should disclose, the total amount of savings deposit in Turkey branch, and insured in the country of head office : None
- b.3) Saving deposits which are not under the guarantee of deposit insurance fund : 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	40,698	341,217	39,385	300,687
Medium and long-term	-	73,665	-	97,888
<b>Total</b>	<b>40,698</b>	<b>414,882</b>	<b>39,385</b>	<b>398,575</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. Explanations on liabilities generated from financial lease payables: None**

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9. Information on interest and expense accruals:

	Current Period		Prior Period	
	TL	FC	TL	FC
Accrued interest on deposits	7,973	6,116	5,908	9,842
Accrued interest on funds borrowed	2,288	1,807	2,297	2,436
Accrued interest on bonds	-	-	-	-
Accrued interest on repurchase agreement transactions	23	-	31	-
Accrued interest on derivative financial instruments	15,850	-	5,206	-
Accrued interest and expense	-	-	-	-
Foreign exchange losses accrued	15,850	-	5,206	-
Other interest and expense accruals	8,683	1,064	1,119	917
<b>Total</b>	<b>34,817</b>	<b>8,987</b>	<b>14,561</b>	<b>13,195</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 PPR	4 PPR	3 PPR	2P PR	Prior PR	Current PR
Actual Payments of Employee Termination Benefits (**)	56	107	947	662	435	-
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%	-
Ratio of reserve for Employee Termination Benefits and Notice Indemnity (*)						8.35%
Possible reserve for Employee Termination Benefits and Notice Indemnity						1,896

(\*) 5-year actual payment rate.

(\*\*) The liability and payment amounts regarding the prior periods are stated at historical cost.,

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

The consolidated subsidiaries have calculated reserve for employee termination benefits and notice indemnity in accordance with the regulations they apply, and reflected an amount of TL 984 into their financial statements as of June 30, 2003.

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

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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 Group 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 Group's income, profit and liquidity for the previous periods and within these indicators possible affects on capital fore sighting uncertainty : None.

g) Information on privileged shares:

7 % of the Parent Bank's remaining net income and tax after deducting legal reserves and first dividends, corresponding to the Group'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	-

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### III. Footnotes and Explanations Related to the Consolidated 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 total to 20% of the items that exceed 10% of the related totals are shown below.

Other interest income amounting to TL 20,840 includes financial lease interest income amounting to TL 13,595 and factoring interest income amounting to TL 6,693.

The total other interest expense amounting to TL 20,986 consists of 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

The total other fees and commissions received amounting to TL 17,245 majorly consists of credit card fees and commissions amounting to TL 3,482 and brokerage commissions amounting to TL 4,245. Other fees and commission expense totaling to TL 7,112 majorly consists of fees and commissions given to credit card transactions totaling to TL 3,405, and fees and commissions paid for the transactions generated from the interbank money market totalling to TL 817.

1. a) Information on interest income received from investments and subsidiaries: None.
- b) Information on financial lease income : None.
- c) Interest received from reverse repurchase agreement transactions: None

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest received from reverse repurchase agreement transactions	1,176	-	3,021	-

2. a) Information on interest expense to investments and subsidiaries: None.
- b) Information on financial lease expenses : None.
- c) Distribution of interest expense on deposits based on maturity of deposits :

Account name	Demand Deposits	Time Deposits					Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	
<b>TL</b>							
Bankdeposits	2	5,735	-	-	-	-	5,737
Saving deposits	334	14,311	12,361	4,847	1,012	2,997	35,862
Public sector deposits	-	-	-	-	-	-	-
Commercial deposits	1,034	12,611	3,126	466	27	3	17,267
Other deposits	12	157	24	2	-	-	195
7 days call accounts	-	-	-	-	-	-	-
<b>Total</b>	<b>1,382</b>	<b>32,814</b>	<b>15,511</b>	<b>5,315</b>	<b>1,039</b>	<b>3,000</b>	<b>59,061</b>
<b>FC</b>							
Foreign currency deposits (*)	777	8,837	6,115	1,063	624	8,107	25,523
7 days call accounts	11	82	13	-	-	-	106
Precious metal deposits	-	8	62	-	11	-	81
<b>Total</b>	<b>788</b>	<b>8,927</b>	<b>6,190</b>	<b>1,063</b>	<b>635</b>	<b>8,107</b>	<b>25,710</b>
<b>Total</b>	<b>2,170</b>	<b>41,741</b>	<b>21,701</b>	<b>6,378</b>	<b>1,674</b>	<b>11,107</b>	<b>84,771</b>

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

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d) Interest expense on repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on repurchase agreements	9,891	-	19,997	-

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

4. Information on other operating income :

The information on the factors affecting the Group'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 the Group 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	1,679	2,176
Marketable securities impairment expense	29	1,469
Provision for impairment*	180	-
Other	562	114
<b>Total</b>	<b>3,059</b>	<b>9,811</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) The income or expense share resulting from the investments at the participations at The information on income and expense from related party transactions: None.

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

The Parent Bank and the Economy Bank NV, a subsidiary of the Bank, have certain banking transactions with the 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 VI.

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

a) Income/loss related to minority shares:

	Current Period	Prior Period
Income and loss related to minority shares	(910)	1,372

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.

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**IV- Footnotes and Explanations Related to the Consolidated Off-balance Sheet Commitments**

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

- a.1) The Group'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 Group'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 commitments:**

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

The Group, 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 597,314 (December 31, 2002 – TL 647,257), acceptances amounting to TL 44,625 (December 31, 2002 – TL 44,992), and letters of credit amounting to TL 369,183 (December 31, 2002 – TL 358,932).

- b.2) Guarantees, surety ships and similar transactions : The Group has other commitments and contingencies amounting TL 8,062 (December 31, 2002 – TL 10,107) 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	962,167	994,459
<b>Total</b>	<b>1,019,184</b>	<b>1,061,288</b>

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- 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.

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

The results of the work performed for the Parent Company Bank 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.

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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	71,600	80,828
Cash equivalents	1,553,912	1,845,664

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 Group and the shareholders by legal limitations and other reasons: None.

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VI- Footnotes and Explanations Related to the Risk Group of the Parent Bank

1. Volume of The Bank's risk group transactions, income and expense amounts involved and outstanding loan and deposit balances:

a) Current Period:

Bank's Risk Group (*)	Investments and subsidiaries		Direct and indirect shareholders of the Group		Other entities included in related parties	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	112,564	7,502	11,319	4,875
Balance at end of period	-	-	62,662	1,193	2,206	4,907
Interest and commission income	-	-	380	4	1,703	30

b) Prior Period:

Bank's Risk Group (*)	Investments and subsidiaries		Direct and indirect shareholders of the Group		Other entities included in related parties	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	23,972	1,335	120,254	6,397
Balance at end of period	-	-	112,564	7,502	11,319	4,875
Interest and commission income	-	-	4,842	510	11,667	610

c.1) Information on Bank's Risk Group deposits balances:

Bank's Risk Group (*)	Investments and subsidiaries		Direct and indirect shareholders of the Group		Other entities included in related parties	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Balance at beginning of period	-	-	208,497	66,206	861,619	362,901
Balance at end of period	-	-	165,592	208,497	610,157	861,619
Interest on deposits	-	-	2,590	3,408	6,503	49,775

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

Bank's Risk Group (*)	Investments and subsidiaries		Direct and indirect shareholders of the Group		Other entities included in related parties	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Trading transactions						
Beginning of period	-	-	48,281	25,826	27,295	17,475
End of period	-	-	13,222	48,281	24,052	27,295
Total income/loss	-	-	(2,091)	(384)	26	689
Hedging transactions purposes						
Beginning of period	-	-	-	-	-	-
End of period	-	-	-	-	-	-
Total income/loss	-	-	(2,091)	(384)	26	689

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

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2. Disclosures for related parties

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

The Parent Bank enters into banking transactions with group companies in accordance with the Banking Law. These are commercial transactions and realized on an arms-length basis.

- b) 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	64,868	4.94
Noncash loans	6,100	0.60
Deposits	775,749	30.64
Forward transactions and option agreements	37,274	5.10

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

- c) 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.
- d) 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 Group has financial lease agreements with TEB Finansal Kiralama A.Ş. The total leasing obligations related to these agreements amounted to TL 6,058. Additionally, the Group provides agency services for TEB Sigorta A.Ş. and TEB Yatırım Menkul Değerler A.Ş.

Within the limits of the Banking Law, the Group renders cash and non-cash loans to its related parties and the ratio of these to the Group's total cash and non-cash loan portfolio is 3.04 %. Amounts of these loans are explained in the note 1a.

As of June 30, 2003 the Group 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.

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**VII- Footnotes and Explanations Related to 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 consolidated 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 Group'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.

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Indices and conversion factors that are used to restate the accompanying the financial statements as of June 30, 2003, reflecting the restatement for the changes in the general purchasing power of the Turkish is as follows:

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

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 Group 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 Group could return or settle the same values of equity to its shareholders.

Explanations regarding the economical life of assets subject to depreciation, depreciation calculation made in accordance with the regulations and indexed amounts, and whether expertise values are used to determine the fair values of these assets:

In accordance with Communiqué No :14, the Parent Company 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 interim period ended June 30, 2003 are reviewed. Balance sheet as of December 31, 2002, is audited. Income statement for the interim period ended June 30, 2002 is audited by another audit firm which has ceased operations.

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

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**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: None.
- 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 consolidated interim financial statements of the Group: There are no significant changes.

**SECTION SIX**

**REPORT OF INDEPENDENT AUDITORS**

**I. Explanations on the Report of Independent Auditors:**

The consolidated interim financial statements of the Group were reviewed by Güney Serbest Muhasebeci Mali Müşavirlik A.Ş. (An Affiliated Firm of Ernst & Young International) and the review report of independent auditors, dated August 27, 2003, is presented preceding the consolidated interim financial statements.