

**Türk Ekonomi Bankası  
Anonim Şirketi**

**Consolidated Financial Statements  
As of September 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)**

**(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 SEPTEMBER 30, 2003**

We have reviewed the consolidated balance sheet of Türk Ekonomi Bankası Anonim Şirketi as of September 30, 2003 and the related consolidated statement of income for the interim period then ended. These financial statements are expressed in the equivalent purchasing power of Turkish lira as of September 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.

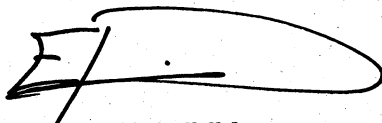
We conducted our review in accordance with the auditing standards which were determined under the provisions of Banking Law Number 4389. These standards require that the review should be planned and performed to obtain limited assurance as to whether the financial statements are free of material misstatement. 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.

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 September 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

November 20, 2003  
İstanbul, Türkiye

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

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**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 September 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 : investorrelations@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.

**(CONVENIENCE TRANSLATION OF A REVIEW REPORT AND FINANCIAL STATEMENTS  
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**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

(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 SEPTEMBER 30, 2003 AND DECEMBER 31,  
 2002  
 (Currency-Billions of Turkish lira in equivalent purchasing power at September 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>19,209</b>	<b>409,659</b>	<b>428,868</b>	<b>23,186</b>	<b>452,434</b>	<b>475,620</b>
1.1 Cash		9,798	-	9,798	6,800	-	6,800
1.2 Foreign currency		-	63,534	63,534	-	89,277	89,277
1.3 Balances with the Central Bank of Turkey	I-1	9,411	346,125	355,536	16,386	363,157	379,543
<b>II. TRADING SECURITIES (Net)</b>		<b>14,179</b>	<b>7,819</b>	<b>21,998</b>	<b>44,874</b>	<b>10,554</b>	<b>55,428</b>
2.1 Public sector debt securities	I-2	14,102	6,799	20,901	44,874	10,253	55,127
2.1.1 Government bonds	I-2	12,615	1,030	13,645	38,516	7,299	45,815
2.1.2 Treasury bills	I-2	1,486	-	1,486	6,357	-	6,357
2.1.3 Other	I-2	1	5,769	5,770	1	2,954	2,955
2.2 Share certificates		77	-	77	-	-	-
2.3 Other marketable securities		-	1,020	1,020	-	301	301
<b>III. BANKS AND OTHER FINANCIAL INSTITUTIONS</b>		<b>77,979</b>	<b>819,066</b>	<b>897,045</b>	<b>43,258</b>	<b>1,103,180</b>	<b>1,146,438</b>
3.1 Due from banks		77,979	819,066	897,045	43,258	1,103,180	1,146,438
3.1.1 Domestic banks		55,613	122,689	178,302	30,617	197,835	228,452
3.1.2 Foreign banks		22,366	696,377	718,743	12,641	905,345	917,986
3.2 Other financial institutions		-	-	-	-	-	-
<b>IV. MONEY MARKET PLACEMENTS</b>		<b>300,081</b>	<b>83,063</b>	<b>383,144</b>	<b>259,417</b>	<b>197,892</b>	<b>457,309</b>
4.1 Interbank money market placements		300,000	83,063	383,063	251,610	197,892	449,502
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		81	-	81	7,807	-	7,807
<b>V. SECURITIES AVAILABLE FOR SALE (Net)</b>		<b>9</b>	<b>59,018</b>	<b>59,027</b>	<b>10</b>	<b>18,663</b>	<b>18,673</b>
5.1 Share certificates	I-3	9	-	9	10	-	10
5.2 Other marketable securities	I-3	-	59,018	59,018	-	18,663	18,663
<b>VI. LOANS</b>		<b>517,779</b>	<b>1,003,755</b>	<b>1,521,534</b>	<b>399,060</b>	<b>1,055,211</b>	<b>1,454,271</b>
6.1 Short term	I-4	467,794	930,984	1,398,778	370,469	863,954	1,234,423
6.2 Medium and long term	I-4	42,114	72,771	114,885	23,098	191,257	214,355
6.3 Loans under follow-up	I-4	23,563	34	23,597	22,378	45	22,423
6.4 Specific provisions (-)	I-4	(15,692)	(34)	(15,726)	(16,885)	(45)	(16,930)
<b>VII. FACTORING RECEIVABLES</b>		<b>60,166</b>	<b>21,243</b>	<b>81,409</b>	<b>46,392</b>	<b>27,297</b>	<b>73,689</b>
<b>VIII. SECURITIES HELD TO MATURITY (Net)</b>		<b>42,177</b>	<b>2,486</b>	<b>44,663</b>	<b>40,724</b>	<b>3,145</b>	<b>43,869</b>
8.1 Public sector debt securities	I-5	42,177	2,486	44,663	40,724	3,145	43,869
8.1.1 Government bonds	I-5	41,895	1,342	43,237	40,476	3,145	43,621
8.1.2 Treasury bills	I-5	282	-	282	248	-	248
8.1.3 Other	I-5	-	1,144	1,144	-	-	-
8.2 Other marketable securities	I-5	-	-	-	-	-	-
<b>IX. INVESTMENTS AND ASSOCIATES (Net)</b>		<b>342</b>	<b>-</b>	<b>342</b>	<b>491</b>	<b>-</b>	<b>491</b>
9.1 Financial investments and associates	I-6	342	-	342	491	-	491
9.2 Non-Financial investments and associates		-	-	-	-	-	-
<b>X. SUBSIDIARIES (Net)</b>		<b>371</b>	<b>-</b>	<b>371</b>	<b>374</b>	<b>-</b>	<b>374</b>
10.1 Financial subsidiaries	I-7	371	-	371	374	-	374
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>6,692</b>	<b>118,101</b>	<b>124,793</b>	<b>5,184</b>	<b>88,979</b>	<b>94,163</b>
12.1 Gross finance lease receivables	I-8	7,556	132,649	140,205	7,262	100,062	107,324
12.2 Unearned income (-)	I-8	(864)	(14,548)	(15,412)	(2,078)	(11,083)	(13,161)
<b>XIII. RESERVE DEPOSITS</b>		<b>13,791</b>	<b>123,469</b>	<b>137,260</b>	<b>10,233</b>	<b>135,812</b>	<b>146,045</b>
<b>XIV. MISCELLANEOUS RECEIVABLES</b>		<b>1,003</b>	<b>1,176</b>	<b>2,179</b>	<b>345</b>	<b>46</b>	<b>391</b>
<b>XV. ACCRUED INTEREST AND INCOME RECEIVABLES</b>		<b>29,230</b>	<b>11,577</b>	<b>40,807</b>	<b>26,653</b>	<b>13,342</b>	<b>39,995</b>
15.1 Loans	I-10	11,041	7,135	18,176	10,360	10,870	21,230
15.2 Marketable securities	I-10	6,101	495	6,596	4,657	595	5,252
15.3 Other	I-10	12,088	3,947	16,035	11,636	1,877	13,513
<b>XVI. PROPERTY AND EQUIPMENT (Net)</b>		<b>42,715</b>	<b>5,111</b>	<b>47,826</b>	<b>46,434</b>	<b>455</b>	<b>46,889</b>
16.1 Book value		107,707	5,899	113,606	105,789	1,242	107,031
16.2 Accumulated depreciation (-)		(64,992)	(788)	(65,780)	(59,355)	(787)	(60,142)
<b>XVII. INTANGIBLE ASSETS [Net]</b>		<b>3,901</b>	<b>81</b>	<b>3,982</b>	<b>4,168</b>	<b>138</b>	<b>4,306</b>
17.1 Goodwill		409	-	409	409	-	409
17.2 Other		10,320	911	11,231	9,397	1,009	10,406
17.3 Accumulated amortization (-)		(6,828)	(830)	(7,658)	(5,638)	(871)	(6,509)
<b>XVIII. OTHER ASSETS</b>	I-11	<b>56,583</b>	<b>20,925</b>	<b>77,508</b>	<b>40,937</b>	<b>2,778</b>	<b>43,715</b>
<b>TOTAL ASSETS</b>		<b>1,186,207</b>	<b>2,686,549</b>	<b>3,872,756</b>	<b>991,740</b>	<b>3,109,926</b>	<b>4,101,666</b>

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

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

**II- CONSOLIDATED BALANCE SHEET - LIABILITIES**

LIABILITIES	Note Ref. (Section Five)	Reviewed			Audited		
		TL	FC	Total	TL	FC	Total
				Current Period 30.09.2003		Prior Period 31.12.2002	
<b>I. DEPOSITS</b>		<b>538,437</b>	<b>2,181,695</b>	<b>2,720,132</b>	<b>431,940</b>	<b>2,674,587</b>	<b>3,106,527</b>
1.1 Bank deposits	II-1	56,087	52,276	108,363	33,580	83,164	116,744
1.2 Saving deposits	II-1	185,360	135,114	320,474	181,095	-	181,095
1.3 Public sector deposits	II-1	12,518	-	12,518	39	-	39
1.4 Commercial deposits	II-1	228,035	829,500	1,057,535	180,457	-	180,457
1.5 Other institutions deposits	II-1	56,437	-	56,437	36,769	-	36,769
1.6 Foreign currency deposits	II-1	-	1,150,543	1,150,543	-	2,566,561	2,566,561
1.7 Precious metals deposit accounts	II-1	-	14,262	14,262	-	24,862	24,862
<b>II. MONEY MARKET BALANCES</b>		<b>8,432</b>	<b>-</b>	<b>8,432</b>	<b>25,244</b>	<b>-</b>	<b>25,244</b>
2.1 Interbank money market takings		-	-	-	-	-	-
2.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
2.3 Funds provided under repurchase agreements	II-2	8,432	-	8,432	25,244	-	25,244
<b>III. FUNDS BORROWED</b>		<b>63,450</b>	<b>481,385</b>	<b>544,835</b>	<b>39,119</b>	<b>395,876</b>	<b>434,995</b>
3.1 Funds borrowed from the Central Bank of Turkey		-	-	-	-	-	-
3.2 Other funds borrowed	II-3	63,450	481,385	544,835	39,119	395,876	434,995
3.2.1 Domestic banks and institutions	II-3	30,889	28,948	59,837	18,655	13,445	32,100
3.2.2 Foreign banks, institutions and funds	II-3	32,561	452,437	484,998	20,464	382,431	402,895
<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>22,288</b>	<b>25,428</b>	<b>47,716</b>	<b>24,576</b>	<b>41,650</b>	<b>66,226</b>
<b>VII. OTHER EXTERNAL RESOURCES</b>	II-7	<b>46,688</b>	<b>13,548</b>	<b>60,236</b>	<b>20,644</b>	<b>7,314</b>	<b>27,958</b>
<b>VIII. TAXES AND OTHER DUTIES PAYABLE</b>		<b>9,368</b>	<b>3,280</b>	<b>12,648</b>	<b>7,483</b>	<b>-</b>	<b>7,483</b>
<b>IX. FACTORING PAYABLES</b>		<b>20,223</b>	<b>11,045</b>	<b>31,268</b>	<b>14,508</b>	<b>16,474</b>	<b>30,982</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>30,993</b>	<b>14,144</b>	<b>45,137</b>	<b>14,462</b>	<b>13,106</b>	<b>27,568</b>
11.1 Deposits	II-9	10,252	5,245	15,497	5,868	9,775	15,643
11.2 Borrowings	II-9	2,259	4,751	7,010	2,281	2,420	4,701
11.3 Repurchase agreements	II-9	7	-	7	31	-	31
11.4 Other	II-9	18,475	4,148	22,623	6,282	911	7,193
<b>XII. PROVISIONS</b>		<b>51,135</b>	<b>15,084</b>	<b>66,219</b>	<b>40,578</b>	<b>1,865</b>	<b>42,443</b>
12.1 General provisions	II-10	7,571	-	7,571	6,746	-	6,746
12.2 Reserve for employee termination benefits	II-10	2,178	-	2,178	1,939	-	1,939
12.3 Provisions for income taxes		29,509	14,834	44,343	23,523	1,865	25,388
12.4 Insurance technical reserves (Net)		11,601	-	11,601	7,769	-	7,769
12.5 Other provisions		276	250	526	601	-	601
<b>XIII. SUBORDINATED LOANS</b>	II-10	<b>-</b>	<b>20,766</b>	<b>20,766</b>	<b>-</b>	<b>27,232</b>	<b>27,232</b>
<b>XIV. MINORITY INTEREST</b>		<b>21,336</b>	<b>-</b>	<b>21,336</b>	<b>21,309</b>	<b>-</b>	<b>21,309</b>
<b>XV. SHAREHOLDERS' EQUITY</b>		<b>256,130</b>	<b>37,901</b>	<b>294,031</b>	<b>239,107</b>	<b>44,592</b>	<b>283,699</b>
15.1 Paid-in capital	II-11	55,125	-	55,125	55,125	-	55,125
15.2 Supplementary capital	II-11	207,477	(41)	207,436	207,580	-	207,580
15.2.1 Share premium	II-12	-	-	-	-	-	-
15.2.2 Share cancellation profits		-	-	-	-	-	-
15.2.3 Marketable securities value increase fund		119	(41)	78	222	-	222
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		207,358	-	207,358	207,358	-	207,358
15.3 Profit reserves		7,370	1,828	9,198	4,883	6,478	11,361
15.3.1 Legal reserves		7,370	-	7,370	4,883	-	4,883
15.3.2 Status reserves		-	-	-	-	-	-
15.3.3 Extraordinary reserves		-	-	-	-	-	-
15.3.4 Other profit reserves		-	1,828	1,828	-	6,478	6,478
15.4 Profit or loss		(13,842)	36,114	22,272	(28,481)	38,114	9,633
15.4.1 Prior year income/loss		(40,708)	32,016	(8,692)	(44,672)	25,521	(19,151)
15.4.1.1 Group's share		(30,122)	32,016	1,894	(33,311)	25,521	(7,790)
15.4.1.2 Minority shares		(10,586)	-	(10,586)	(11,361)	-	(11,361)
15.4.2 Current year income/loss		26,866	4,098	30,964	16,191	12,593	28,784
15.4.2.1 Group's share		27,255	4,098	31,353	15,063	12,593	27,656
15.4.2.2 Minority shares		(389)	-	(389)	1,128	-	1,128
<b>TOTAL LIABILITIES</b>		<b>1,068,480</b>	<b>2,804,276</b>	<b>3,872,756</b>	<b>878,970</b>	<b>3,222,696</b>	<b>4,101,666</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 SEPTEMBER**  
**30, 2003 AND 2002**  
 (Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2003)  
**III- CONSOLIDATED STATEMENTS OF INCOME**

		Reviewed	Reviewed	Reviewed	Reviewed
		Current Period	Prior Period	01.07.2003	01.07.2002
		30.09.2003	30.09.2002	- 30.09.2003	- 30.09.2002
		Total	Total	Total	Total
	Note Ref.				
INCOME AND EXPENSES	(Section five)				
<b>I. INTEREST INCOME</b>	III-1	<b>310,282</b>	<b>384,812</b>	<b>104,384</b>	<b>118,515</b>
1.1 Interest on loans		154,887	167,263	55,351	55,771
1.1.1 Interest on TL loans		116,010	109,817	42,995	37,852
1.1.1.1 Short term loans		110,161	103,261	40,639	35,675
1.1.1.2 Medium and long term loans		5,849	6,556	2,356	2,177
1.1.2 Interest on foreign currency loans		38,633	56,936	12,271	17,671
1.1.2.1 Short term loans		23,899	45,616	7,827	12,363
1.1.2.2 Medium and long term loans		14,734	11,320	4,444	5,308
1.1.3 Interest on loans under follow-up		244	510	85	248
1.1.4 Premiums received from Resource Utilization Support Fund		-	-	-	-
1.2 Interest received from reserve deposits		4,481	3,365	1,685	1,453
1.3 Interest received from banks		34,304	43,727	12,124	14,908
1.3.1 The Central Bank of Turkey		-	-	-	-
1.3.2 Domestic banks		20,670	11,323	7,174	6,141
1.3.3 Foreign banks		13,634	32,404	4,950	8,767
1.4 Interest received from money market transactions		66,252	76,555	18,368	20,462
1.5 Interest received from marketable securities portfolio		19,331	63,854	6,528	14,417
1.5.1 Trading securities		3,171	63,854	969	14,417
1.5.2 Available-for-sale securities		2,374	-	1,588	-
1.5.3 Held to maturity securities		13,786	-	3,971	-
1.6 Other interest income		31,027	30,048	10,328	11,504
<b>II. INTEREST EXPENSE</b>	III-2	<b>181,189</b>	<b>213,115</b>	<b>61,454</b>	<b>65,325</b>
2.1 Interest on deposits		131,363	142,714	47,167	43,795
2.1.1 Bank deposits		10,600	7,209	4,215	2,271
2.1.2 Saving deposits		57,201	42,689	18,548	12,395
2.1.3 Public sector deposits		-	6	-	2
2.1.4 Commercial deposits		46,188	25,705	18,532	9,812
2.1.5 Other institutions deposits		422	149	228	108
2.1.6 Foreign currency deposits		16,836	66,838	5,608	19,161
2.1.7 Precious metals vault accounts		116	118	36	46
2.2 Interest on money market transactions		-	36	-	-
2.3 Interest on funds borrowed		23,440	42,104	8,745	13,868
2.3.1 The Central Bank of Turkey		-	-	-	-
2.3.2 Domestic banks		7,377	8,288	3,023	3,910
2.3.3 Foreign banks		13,508	29,932	3,167	8,683
2.3.4 Other financial institutions		2,555	3,884	2,555	1,275
2.4 Interest on securities issued		-	-	-	-
2.5 Other interest expense		26,386	28,261	5,542	7,662
<b>III. NET INTEREST INCOME (I - II)</b>		<b>129,093</b>	<b>171,697</b>	<b>42,930</b>	<b>53,190</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>26,253</b>	<b>22,665</b>	<b>9,356</b>	<b>6,432</b>
4.1 Fees and commissions received		39,478	32,692	13,882	9,749
4.1.1 Cash loans		3,480	1,930	991	577
4.1.2 Non-cash loans		9,588	6,197	3,609	2,372
4.1.3 Other		26,410	24,565	9,282	6,800
4.2 Fees and commissions paid		13,225	10,027	4,526	3,317
4.2.1 Cash loans		1,885	1,426	567	689
4.2.2 Non-cash loans		385	370	68	225
4.2.3 Other		10,955	8,231	3,891	2,403
<b>V. DIVIDEND INCOME</b>		-	-	-	-
5.1 Trading securities		-	-	-	-
5.2 Available-for-sale securities		-	-	-	-
<b>VI. NET TRADING INCOME</b>		<b>25,261</b>	<b>2,113</b>	<b>12,456</b>	<b>1,783</b>
6.1 Profit/losses on trading account securities (Net)		26,796	8,279	13,612	2,594
6.2 Foreign exchange gains/losses (Net)		(1,535)	(6,166)	(1,156)	(811)
<b>VII. PROFIT/LOSS FROM HELD TO MATURITY MARKETABLE SECURITIES</b>	III-3	-	-	-	-
<b>VIII. OTHER OPERATING INCOME</b>	III-4	13,086	23,101	4,292	5,896
<b>IX. TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>		<b>193,693</b>	<b>219,576</b>	<b>69,034</b>	<b>67,301</b>
<b>X. PROVISION FOR LOAN LOSSES OR OTHER RECEIVABLES (-)</b>	III-5	6,071	17,390	3,033	7,645
<b>XI. OTHER OPERATING EXPENSES (-)</b>		109,077	115,350	35,629	40,426
<b>XII. NET OPERATING INCOME (IX-X-XI)</b>		<b>78,545</b>	<b>86,836</b>	<b>30,372</b>	<b>19,230</b>
<b>XIII. PROFIT/LOSSES FROM ASSOCIATES AND SUBSIDIARIES</b>	III-6	167	-	(2)	-
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		(23,258)	(43,584)	1,708	(13,751)
<b>XV. INCOME BEFORE TAXES (XII+XIII)</b>		<b>55,454</b>	<b>43,252</b>	<b>32,078</b>	<b>5,479</b>
<b>XVI. PROVISION FOR TAXES ON INCOME (-)</b>		<b>24,490</b>	<b>22,769</b>	<b>9,970</b>	<b>6,558</b>
<b>XVII. NET OPERATING INCOME/EXPENSE AFTER TAXES (XIV-XV)</b>		<b>30,964</b>	<b>20,483</b>	<b>22,108</b>	<b>(1,079)</b>
<b>XVIII. EXTRAORDINARY INCOME/EXPENSE AFTER TAXES</b>		-	-	-	-
18.1 Extraordinary net income/expense before taxes		-	-	-	-
18.1.1 Extraordinary income		-	-	-	-
18.1.2 Extraordinary expense (-)		-	-	-	-
18.2 Provision for taxes on extraordinary income		-	-	-	-
<b>XIX. PROFIT/LOSSES ON UNCONSOLIDATED INVESTMENTS (-)</b>		-	-	-	-
<b>XX. NET PROFIT/LOSSES (XVI+XVII+XVIII-XIX)</b>		<b>30,964</b>	<b>20,483</b>	<b>22,108</b>	<b>(1,079)</b>
20.1 Group's profit/loss		31,353	19,546	21,593	(653)
20.2 Minority shares	III-7	(389)	937	515	(426)
<b>XXI. Earnings/Losses per share</b>		<b>280.84</b>	<b>185.79</b>	<b>200.53</b>	<b>(9.79)</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.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2003  
AND DECEMBER 31, 2002**

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

**IV- CONSOLIDATED STATEMENTS OF OFF-BALANCE SHEET COMMITMENTS**

	Note Ref. (Section five)	Reviewed			Audited		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>OFF BALANCE SHEET COMMITMENTS</b>							
<b>A. OFF BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>768,495</b>	<b>1,830,706</b>	<b>2,599,201</b>	<b>585,375</b>	<b>1,658,424</b>	<b>2,243,799</b>
<b>I. GUARANTEES</b>	IV-2,3	<b>350,608</b>	<b>800,937</b>	<b>1,151,545</b>	<b>293,328</b>	<b>760,775</b>	<b>1,054,103</b>
1.1. Letters of guarantee		349,565	306,696	656,261	293,202	349,674	642,876
1.1.1. Guarantees subject to State Tender Law		33,640	1,635	35,275	31,563	280	31,843
1.1.2. Guarantees given for foreign trade operations		75,034	20,330	95,364	77,224	52,003	129,227
1.1.3. Other letters of guarantee		240,891	284,731	525,622	184,415	297,391	481,806
1.2. Banks loans		971	45,114	46,085	-	44,687	44,687
1.2.1. Import letter of acceptance		-	45,114	45,114	-	44,687	44,687
1.2.2. Other bank acceptances		971	-	971	-	-	-
1.3. Letters of credit		72	434,663	434,735	79	356,423	356,502
1.3.1. Documentary letters of credit		72	400,225	400,297	79	314,110	314,189
1.3.2. Other letters of credit		-	34,438	34,438	-	42,313	42,313
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		-	6,884	6,884	47	1,544	1,591
1.8. Other collaterals		-	7,580	7,580	-	8,447	8,447
<b>II. COMMITMENTS</b>	IV-2	<b>309,006</b>	<b>346,112</b>	<b>655,118</b>	<b>200,665</b>	<b>364,525</b>	<b>565,190</b>
2.1. Irrevocable commitments		306,714	346,112	652,826	200,665	364,525	565,190
2.1.1. Asset purchase commitments		-	-	-	1,107	-	1,107
2.1.2. Deposit purchase and sales commitments		7,000	346,095	353,095	-	364,525	364,525
2.1.3. Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		109,001	-	109,001	125,004	-	125,004
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		98,981	-	98,981	74,554	-	74,554
2.1.8. Other irrevocable commitments		91,332	17	91,349	-	-	-
2.2. Revocable commitments		2,292	-	2,292	-	-	-
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		2,292	-	2,292	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>108,881</b>	<b>683,657</b>	<b>792,538</b>	<b>91,382</b>	<b>533,124</b>	<b>624,506</b>
3.1. Forward foreign currency buy/sell transactions		108,881	513,332	622,213	91,382	195,394	286,776
3.1.1. Forward foreign currency transactions-buy		32,059	274,206	306,265	23,256	118,420	141,676
3.1.2. Forward foreign currency transactions-sell		76,822	239,126	315,948	68,126	76,974	145,100
3.2. Swap transactions related to f.c. and interest rates		-	165,955	165,955	-	-	-
3.2.1. Foreign currency swap-buy		-	81,963	81,963	-	-	-
3.2.2. Foreign currency swap-sell		-	83,070	83,070	-	-	-
3.2.3. Interest rate swaps-buy		-	461	461	-	-	-
3.2.4. Interest rate swaps-sell		-	461	461	-	-	-
3.3. Foreign currency and interest rate options		-	-	-	-	337,730	337,730
3.3.1. Foreign currency options-buy		-	-	-	-	168,121	168,121
3.3.2. Foreign currency options-sell		-	-	-	-	169,609	169,609
3.3.3. Interest rate options-buy		-	-	-	-	-	-
3.3.4. Interest rate options-sell		-	-	-	-	-	-
3.4. Foreign currency futures		-	4,370	4,370	-	-	-
3.4.1. Foreign currency futures-buy		-	2,185	2,185	-	-	-
3.4.2. Foreign currency futures-sell		-	2,185	2,185	-	-	-
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>1,662,451</b>	<b>554,106</b>	<b>2,216,557</b>	<b>1,284,564</b>	<b>425,428</b>	<b>1,709,992</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>1,216,213</b>	<b>289,336</b>	<b>1,505,549</b>	<b>897,566</b>	<b>284,487</b>	<b>1,182,053</b>
4.1. Assets under management		-	-	-	-	-	-
4.2. Investment securities held in custody		506,228	156,711	662,939	311,863	160,376	472,239
4.3. Checks received for collection		678,609	65,593	744,202	570,415	48,933	619,348
4.4. Commercial notes received for collection		27,746	19,943	47,689	13,947	23,215	37,162
4.5. Other assets received for collection		-	47,089	47,089	482	51,963	52,445
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		3,630	-	3,630	859	-	859
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>446,238</b>	<b>264,770</b>	<b>711,008</b>	<b>386,998</b>	<b>140,941</b>	<b>527,939</b>
5.1. Marketable securities		13,758	12,200	25,958	13,013	9,266	22,279
5.2. Guarantee notes		6,128	1,190	7,318	6,873	1,460	8,333
5.3. Commodity		217,142	-	217,142	208,812	-	208,812
5.4. Warranty		-	-	-	-	-	-
5.5. Immovables		127,622	164,128	291,750	123,725	41,020	164,745
5.6. Other pledged items		81,588	87,252	168,840	34,575	89,195	123,770
5.7. Pledged items-depository		-	-	-	-	-	-
<b>TOTAL COMMITMENTS (A+B)</b>		<b>2,430,946</b>	<b>2,384,812</b>	<b>4,815,758</b>	<b>1,869,939</b>	<b>2,083,852</b>	<b>3,953,791</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.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2003  
AND DECEMBER 31, 2002  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2003)**

### **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.

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

**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 (TEB Kıymetli Madenler) is valued at cost. The financial statements of TEB Kıymetli Madenler Anonim Şirketi is not included in the consolidation as of September 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 September 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.

**(CONVENIENCE TRANSLATION OF A REVIEW REPORT AND FINANCIAL STATEMENTS  
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TÜRK EKONOMİ BANKASI A.Ş.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF SEPTEMBER 30, 2003 AND DECEMBER 31, 2002 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2003)**

### **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 September 30, 2003 is TL 1,384,378 (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 (1,535) (September 30, 2002 – TL (6,166)). 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" 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 September 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 September 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.

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

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

As of September 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 June 30, 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 January 31,2002 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 629 ( 2002 – TL 629 ), 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 409 ( 2002 – TL 409 ), 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 307 ( 2002 – TL 245 ).

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 are the softwares. While determining the depreciation periods of these, the essentials of General Tax Regulations are taken in to consideration and no special criteria is 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 close to the restated costs at September 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 September 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 September 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 September 30, 2003 and 2002.

The Group employees are members of Tebliiler 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 September 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 September 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.

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**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 %15.57 ( 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)	1,224,647	860,557	201,020	1,409,006	1,009,349	215,146	75,559	1,004,431
Cash	73,332	13	-	-	73,324	-	-	-
Due from banks	355,536	860,544	-	36,501	355,536	215,142	-	687
Interbank money market placements	383,063	-	-	-	383,063	-	-	-
Receivables from reverse repo transactions	81	-	-	-	-	-	-	-
Reserve deposits	137,260	-	-	-	137,260	-	-	-
Special finance houses	-	-	-	-	-	-	-	-
Loans	241,070	-	63,587	1,290,415	42,634	-	63,587	961,556
Loans under follow-up (Net)	-	-	-	7,871	-	-	-	7,871
Subsidiaries, associates and investments held to maturity	-	-	-	-	-	-	-	-
Miscellaneous receivables	-	-	-	2,179	-	-	-	1,537
Marketable securities held to maturity (Net)	-	-	-	-	-	-	-	-
Advances for assets acquired by financial leasing	-	-	-	-	-	-	-	-
Financial lease receivables	-	-	124,793	-	-	-	-	-
Leased assets (Net)	-	-	12,640	-	-	-	11,972	-
Fixed assets (Net)	-	-	-	27,435	-	-	-	20,705
Other assets	34,305	-	-	44,605	17,532	4	-	12,075
Off balance sheet items	374,002	504,960	238,519	46,744	363,925	446,661	311,785	43,600
Guarantees and pledges	19,869	493,527	73,749	30,275	15,494	439,476	73,750	25,722
Commitments	348,387	-	164,770	-	346,095	-	238,035	-
Other off balance sheet items	-	-	-	-	-	-	-	-
Transactions related with derivative	-	-	-	-	-	-	-	-
Financial instruments	-	-	-	4,039	-	-	-	4,175
Interest and income accruals	5,746	11,433	-	12,430	2,336	7,185	-	13,703
Non risk weighted accounts	-	-	-	-	-	-	-	-
<b>Total Assets Subject to Risk</b>	<b>1,598,649</b>	<b>1,365,517</b>	<b>439,539</b>	<b>1,455,750</b>	<b>1,373,274</b>	<b>661,807</b>	<b>387,344</b>	<b>1,048,031</b>
<b>Total Risk Weighted Assets</b>	<b>-</b>	<b>273,103</b>	<b>219,770</b>	<b>1,455,750</b>	<b>-</b>	<b>132,361</b>	<b>193,672</b>	<b>1,048,031</b>

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

	Consolidated		Parent Bank	
	Current Period	Prior Period	Current Period	Prior Period
Total Risk Weighted Assets (*)	1,999,023	1,812,599	1,408,650	1,221,004
Shareholders' Equity	311,324	303,667	205,223	188,018
Shareholders' Equity / Total risk weighted assets (CAR (%))	15.57	16.75	14.57	15.40

(\*) The above mentioned amounts consist of base amounts of the market risk which are TL 50,400 and TL 34,586 as consolidated and as for the Parent Bank basis, respectively, for the current period and TL 55,635 and TL 21,784 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	207,358	207,358	207,358	207,358
Share Premium	-	-	-	-
Legal Reserves	9,198	11,361	2,373	-
First legal reserve (Turkish Commercial Code 466/1)	7,370	4,883	2,373	-
Second legal reserve (Turkish Commercial Code 466/2)	-	-	-	-
Other legal reserve per special legislation	1,828	6,478	-	-
Statute Reserves	-	-	-	-
Extraordinary reserves	-	-	-	-
Reserves allocated by the General Assembly	-	-	-	-
Retained earnings	-	-	-	-
Accumulated loss	-	-	-	-
Foreign currency share capital exchange difference	-	-	-	-
Profit	30,964	28,784	40,873	20,498
Current period profit	30,964	28,784	38,614	20,498
Prior period profit	-	-	2,259	-
Loss (-)	(8,692)	(19,151)	-	-
Current period loss	-	-	-	-
Prior period loss	(8,692)	(19,151)	-	-
<b>Total Main Capital</b>	<b>293,953</b>	<b>283,477</b>	<b>305,729</b>	<b>282,981</b>
<b>SUPPLEMENTARY CAPITAL</b>				
Revaluation Fund	-	-	-	-
Furniture, fixture and vehicles	-	-	-	-
Buildings	-	-	-	-
Profit on sale of associates, subsidiaries and buildings to be transferred to share capital	-	-	-	-
Revaluation fund of leasehold improvement	-	-	-	-
Increase in the Value of Revaluation Fund	-	-	-	-
Foreign Exchange Differences	-	-	-	-
General Reserves	7,571	6,746	7,571	6,746
Provisions for Possible Losses	-	-	-	-
Subordinated Loans	20,766	27,232	20,766	27,232
Marketable Securities and Investment Securities Value Increase Fund	78	222	(38)	222
Associates and subsidiaries	78	222	(38)	222
Available for sale securities	-	-	-	-
Structured positions	-	-	-	-
<b>Total Supplementary Capital</b>	<b>28,415</b>	<b>34,200</b>	<b>28,299</b>	<b>34,200</b>
<b>TIER III CAPITAL</b>				
<b>CAPITAL</b>	<b>322,368</b>	<b>317,677</b>	<b>334,028</b>	<b>317,181</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>11,044</b>	<b>14,010</b>	<b>128,805</b>	<b>129,163</b>
Investments in unconsolidated financial companies whose main activities are money and capital markets, insurance and that operate with licenses provided in accordance with special laws	713	865	121,064	118,266
Leasehold improvements	7,751	8,355	6,155	7,065
Start-up costs	-	-	-	-
Prepaid expenses	2,478	4,625	1,586	3,832
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)	102	165	-	-
Capitalized expenses	-	-	-	-
<b>Total Shareholder's Equity</b>	<b>311,324</b>	<b>303,667</b>	<b>205,223</b>	<b>188,018</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	2,181	2,165
Capital to be employed for general market risk	2,179	2,165
Capital to be employed for specific risk	2	-
Capital to be employed for options subject to interest rate risk	-	-
Capital to be employed for common stock position risk – Standard method	9	-
Capital to be employed for general market risk	6	-
Capital to be employed for specific risk	3	-
Capital to be employed for options subject to common stock position risk	-	-
Capital to be employed for currency risk – Standard method	1,842	602
Capital liability	1,842	602
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	4,032	2,767
Amount subject to market risk	50,400	34,586

## **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 September 30, 2003, the Group's net long position is TL 23,213 (December 31, 2002 - TL 23,929 net short) resulting from short position amounting to TL 16,234 (December 31, 2002- TL 63,887) on the balance sheet and long position amounting to TL 33,973 (December 31, 2002 - 39,958 ) 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:

	23/9/03	24/9/03	25/9/03	26/9/03	29/9/03	30/9/03
<b>USD</b>	1,348,023	1,349,013	1,366,040	1,365,178	1,376,707	1,384,378
<b>CHF</b>	995,456	994,568	1,010,555	1,013,747	1,017,541	1,048,196
<b>GBP</b>	2,227,117	2,231,179	2,262,756	2,264,465	2,268,864	2,313,057
<b>JPY</b>	12,088	12,062	12,191	12,163	12,318	12,509
<b>EUR</b>	1,548,070	1,547,183	1,569,171	1,567,497	1,571,236	1,615,154

The simple arithmetical average of the major current foreign exchange buying rates of the Bank for the thirty days before September 30, 2003 is as follows:

	Monthly Average FX rates
<b>USD</b>	1,371,963
<b>CHF</b>	993,589
<b>GBP</b>	2,208,843
<b>JPY</b>	11,913
<b>EUR</b>	1,539,809

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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	28,063	379,740	20	1,840	409,663
Due from other Banks and financial institutions	91,191	767,770	705	42,463	902,129
Trading securities (**)	1,243	6,218	-	358	7,819
Investment securities available-for-sale	-	59,018	-	-	59,018
Loans (**)	264,077	810,053	-	16,105	1,090,235
Investments in subsidiaries and participations	-	-	-	-	-
Investment securities held-to-maturity	-	1,342	-	1,144	2,486
Property and equipment	5,111	-	-	-	5,111
Goodwill	-	-	-	-	-
Other assets	126,575	162,697	-	15,715	304,987
<b>Total Assets</b>	<b>516,260</b>	<b>2,186,838</b>	<b>725</b>	<b>77,625</b>	<b>2,781,448</b>
<b>Liabilities</b>					
Bank deposits	3,132	9,512	6	39,626	52,276
Foreign currency deposits (*)	280,706	1,805,065	873	42,775	2,129,419
Funds provided from other financial institutions	71,599	415,956	-	14,596	502,151
Marketable securities issued	-	-	-	-	-
Miscellaneous payables	18,005	7,294	-	129	25,428
Other liabilities	70,380	19,595	-	5,412	95,387
<b>Total liabilities</b>	<b>443,822</b>	<b>2,257,422</b>	<b>879</b>	<b>102,538</b>	<b>2,804,661</b>
Net Balance Sheet Position	72,438	(70,584)	(154)	(24,913)	(23,213)
Net Off-Balance Sheet Position	(88,654)	100,462	-	22,165	33,973
Financial derivative assets	114,712	211,561	-	32,542	358,815
Financial derivative liabilities	203,366	111,099	-	10,377	324,842
Non-cash loans (***)	202,919	555,822	9,301	32,895	800,937
<b>Prior Period</b>					
Total Assets	518,338	2,547,184	21,167	112,504	3,199,193
Total Liabilities	457,279	2,693,343	894	111,564	3,263,080
Net Balance Sheet Position	61,059	(146,159)	20,273	940	(63,887)
Net Off-Balance Sheet Position	(114,971)	187,235	(20,021)	(12,285)	39,958
Non-cash loans (****)	196,061	531,881	4,695	28,138	760,775

(\*) Gold account deposits amounting to TL 14,262 (December 31, 2002 – TL 24,867) are included in the foreign currency deposits.

(\*\*) FX-indexed loans amounting to TL 86,480 (December 31, 2002 – TL 89,025) are included in loans, FX-indexed factoring receivables amounting to TL8,419 are included in other assets and FX-indexed factoring payables amounting to TL 1,441 are included in other liabilities in the currency risk table of the Group.

(\*\*\*) In the prior period, foreign currency indexed government bonds and treasury bills amounting to TL 242 are included in the trading portfolio.

(\*\*\*\*) There are no effects 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 repricing. At the second step, the instruments with variety of maturities are weighted according to their risks for reflecting the interest rate risk volatilities that match their maturities.

The first priority of the 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	492,806	-	-	-	-	73,335	566,141
Due from Banks and other financial institutions	1,236,218	18,962	16,000	8,321	-	688	1,280,189
Trading securities	1,074	1,983	6,791	5,449	6,338	363	21,998
Securities available-for-sale	-	-	6,462	-	52,556	9	59,027
Loans	522,907	329,050	331,048	221,014	109,644	-	1,513,663
Securities held-to-maturity	3,169	36,624	1,342	3,528	-	-	44,663
Other assets	70,132	88,078	42,253	45,731	66,191	74,690	387,075
<b>Total Assets</b>	<b>2,326,306</b>	<b>474,697</b>	<b>403,896</b>	<b>284,043</b>	<b>234,729</b>	<b>149,085</b>	<b>3,872,756</b>
<b>Liabilities</b>							
Bank deposits	93,557	11,206	3,600	-	-	-	108,363
Other deposits	2,229,861	175,214	67,363	106,110	33,221	-	2,611,769
Miscellaneous payables	1,183	-	-	-	-	46,533	47,716
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	269,892	113,551	93,814	75,761	12,583	-	565,601
Other liabilities	28,217	54,079	9,995	4,958	14,093	427,965	539,307
<b>Total Liabilities</b>	<b>2,622,710</b>	<b>354,050</b>	<b>174,772</b>	<b>186,829</b>	<b>59,897</b>	<b>474,498</b>	<b>3,872,756</b>
Balance Sheet Interest Sensitivity Gap	(296,404)	120,647	229,124	97,214	174,832	(325,413)	-
Off Balance Sheet Interest Sensitivity Gap	-	-	-	-	-	-	-
<b>Total Interest Sensitivity Gap</b>	<b>(296,404)</b>	<b>120,647</b>	<b>229,124</b>	<b>97,214</b>	<b>174,832</b>	<b>(325,413)</b>	<b>-</b>

The other asset line at the without interest column consists of TL 47,826 amount tangible fixed assets, TL 3,982 of intangible fixed assets, TL 371 of participations and TL 342 of subsidiaries and the other liability line consists of equity with a total amount of TL 294,031 and TL 21,366 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	525,587	-	-	-	-	96,335	621,922
Due from Banks and other financial institutions	1,498,136	16,536	12,270	2,956	-	73,849	1,603,747
Trading securities	2,798	31,725	12,315	7,504	785	301	55,428
Securities available-for-sale	-	18,663	-	-	-	10	18,673
Loans	444,278	279,867	332,920	171,239	220,473	5,494	1,454,271
Securities held-to-maturity	230	40,247	1,707	1,437	248	-	43,869
Other assets	6,035	89,668	16,386	25,376	34,843	131,448	303,756
<b>Total Assets</b>	<b>2,477,064</b>	<b>476,706</b>	<b>375,598</b>	<b>208,512</b>	<b>256,349</b>	<b>307,437</b>	<b>4,101,666</b>
Liabilities							
Bank deposits	112,724	2,913	1,107	-	-	-	116,744
Other deposits	2,479,013	179,637	58,677	90,838	181,618	-	2,989,783
Miscellaneous payables	-	-	-	-	-	66,226	66,226
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	37,153	219,413	82,773	111,959	10,929	-	462,227
Other liabilities	2,978	37,919	1,198	258	-	424,333	466,686
<b>Total Liabilities</b>	<b>2,631,868</b>	<b>439,882</b>	<b>143,755</b>	<b>203,055</b>	<b>192,547</b>	<b>490,559</b>	<b>4,101,666</b>
Balance Sheet Interest Sensitivity Gap	(154,804)	36,824	231,843	5,457	63,802	(183,122)	-
Off Balance Sheet Interest Sensitivity Gap	-	-	-	-	-	-	-
<b>Total Interest Sensitivity Gap</b>	<b>(154,804)</b>	<b>36,824</b>	<b>231,843</b>	<b>5,457</b>	<b>63,802</b>	<b>(183,122)</b>	<b>-</b>

The other asset line at the without interest column consists of TL 46,889 amount tangible fixed assets, TL 4,306 of intangible fixed assets, TL 374 of participations and TL 491 of subsidiaries and the other liability line consists of equity with a total amount of TL 283,699 and TL 21,309 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	1.49	0.40	-	21.00
Due from Banks and other financial institutions	1.41	1.07	3.61	29.47
Trading securities	8.37	11.22	-	51.27
Securities available-for-sale	-	8.59	9.00	-
Loans	5.95	5.34	7.07	37.93
Securities held-to-maturity	-	-	-	40.72
Liabilities				
Bank deposits	3.25	2.99	4.00	30.28
Other deposits	3.68	2.58	3.37	27.61
Miscellaneous payables	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	4.13	2.72	5.93	30.42

**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	566,141	-	-	-	-	566,141
Due from Banks and other financial institutions	1,233,088	22,780	16,000	8,321	-	1,280,189
Trading securities	2,131	976	6,659	6,028	6,204	21,998
Securities available-for-sale	9	-	6,462	-	52,556	59,027
Loans	522,907	325,232	331,048	221,014	113,462	1,513,663
Securities held-to-maturity	1,144	557	39,434	3,528	-	44,663
Other assets(***)	87,752	98,656	43,926	41,414	59,734	387,075
<b>Total Assets</b>	<b>2,413,172</b>	<b>448,201</b>	<b>443,529</b>	<b>280,305</b>	<b>231,956</b>	<b>3,872,756</b>
<b>Liabilities</b>						
Bank deposits	93,557	11,206	3,600	-	-	108,363
Other deposits	2,229,861	175,214	67,363	106,110	33,221	2,611,769
Funds provided from other financial institutions	203,757	90,166	77,965	116,781	76,932	565,601
Marketable securities issued	-	-	-	-	-	-
Miscellaneous payables	42,023	1,297	-	4,323	73	47,716
Other liabilities(**)	139,239	52,936	10,037	15,629	321,466	539,307
<b>Total Liabilities</b>	<b>2,708,437</b>	<b>330,819</b>	<b>158,965</b>	<b>242,843</b>	<b>431,692</b>	<b>3,872,756</b>
<b>Net Liquidity Gap</b>	<b>(295,265)</b>	<b>117,382</b>	<b>284,564</b>	<b>37,462</b>	<b>(199,736)</b>	<b>-</b>
<b>Prior Period</b>						
Total Assets	2,729,741	422,582	375,169	208,398	313,707	4,101,666
Total Liabilities	3,045,296	328,071	151,940	302,145	274,214	4,101,666
<b>Net Liquidity Gap</b>	<b>(315,555)</b>	<b>94,511</b>	<b>223,229</b>	<b>(93,747)</b>	<b>39,493</b>	<b>-</b>

(\*) The maturity of up to 1 month of interbank funds sold amounting to TL 383,063, loans amounting to TL 511,094, and domestic and foreign Banks placements amounting to TL 801,205 are shown in the demand column. Furthermore, deposits with maturities up to one month amounting to TL 1,629,377 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 294,031 and minority interest amounting to TL 21,366.

(\*\*\*) An amount of TL 55,593 of the total column consists of subsidiaries and participations amounting to TL 713, prepaid expenses amounting to TL 2,478, tangible fixed assets amounting to TL 47,826, intangible fixed assets amounting to TL 3,982 and office supply inventory amounting to TL 594 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	9,411	16,386
Time Unrestricted Amount	346,125	363,157
<b>Total</b>	<b>355,536</b>	<b>379,543</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	6,633	-	18,519	-
Treasury bills	321	-	6,278	-
Other debt securities	-	-	-	-
Bank bonds and Bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>6,954</b>	<b>-</b>	<b>24,797</b>	<b>-</b>

## 3. Information on available for sale portfolio:

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

	Current Period	Prior Period
Debt securities	59,018	18,663
Quoted in a stock exchange	6,462	-
Not quoted	53,356	18,663
Share certificates	9	10
Quoted in a stock exchange	-	-
Not quoted	9	10
Provision for impairment (-)	(800)	-
<b>Total</b>	<b>59,027</b>	<b>18,673</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	48,791	1,200	111,802	7,451
Corporate shareholders	48,791	1,200	111,802	7,451
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	862	13	833	-
<b>Total</b>	<b>49,653</b>	<b>1,213</b>	<b>112,635</b>	<b>7,451</b>

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

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Non-specialized loans	1,505,428	-	4,233	4,002
Discount notes	59,906	-	-	-
Export loans	527,348	-	1,626	-
Import loans	-	-	-	-
Loans given to financial sector	121,945	-	-	-
International loans	98,518	-	-	-
Consumer loans	32,554	-	-	-
Credit cards	17,987	-	-	-
Precious metals loans	12,681	-	550	-
Other	634,489	-	2,057	4,002
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>1,505,428</b>	<b>-</b>	<b>4,233</b>	<b>4,002</b>

c) Information on consumer loans:

	Short Term	Medium and Long Term	Total	Interest Income	Accrual
<b>Consumer loans-TL</b>	11,263	6,298	17,561		742
Real estate loans	438	1,096	1,534		32
Automotive loans	1,836	4,831	6,667		153
Consumer loans	-	-	-		-
Personnel loans	748	98	846		25
Other consumer loans	8,241	273	8,514		532
<b>Consumer loans- Indexed to FC</b>	4,201	10,792	14,993		63
Real estate loans	143	2,348	2,491		11
Automotive loans	884	8,245	9,129		41
Consumer loans	587	199	786		11
Personnel loan	16	-	16		-
Other consumer loans	2,571	-	2,571		-
<b>Credit cards</b>	17,987	-	17,987		-
<b>Total Consumer Loans</b>	<b>33,451</b>	<b>17,090</b>	<b>50,541</b>		<b>805</b>

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d) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	1,143,532	1,345,313
Foreign loans	370,131	103,465
<b>Total</b>	<b>1,513,663</b>	<b>1,448,778</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	535	70
Loans and receivables with doubtful collectibility	289	199
Uncollectible loans and receivables	14,902	16,661
<b>Total</b>	<b>15,726</b>	<b>16,930</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	1,010	399	21,015
Additions (+)	3,769	22	3,155
Transfers from other categories of loans under follow-up (+)	-	1,416	1,160
Transfers to other categories of loans under follow-up (-)	1,416	1,160	-
Collections (-)	179	103	3,307
Write-offs (-)	-	-	30
Index differences (-)	97	38	2,019
Current period end balance	3,087	536	19,974
Specific provisions (-)	535	289	14,902
<b>Net Balances on Balance Sheet</b>	<b>2,552</b>	<b>247</b>	<b>5,072</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	-	-	34
Specific provisions (-)	-	-	34
<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	44,663	43,869
Quoted in a stock exchange	43,519	43,869
Not quoted	1,144	-
Provision for impairment (-)	-	-
<b>Total</b>	<b>44,663</b>	<b>43,869</b>

b) Movement of held to maturity portfolio:

	Current Period	Prior Period
Beginning balance	43,869	98,145
Effect of inflation (-)	(3,923)	(23,215)
Foreign currency differences on monetary assets	(604)	5,850
Purchases during year	7,352	43,869
Disposals through sales and redemptions	(1,829)	(80,780)
Impairment provision	(202)	-
<b>Closing Balances</b>	<b>44,663</b>	<b>43,869</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	42,177	1,342	42,422	1,341	40,724	-	41,534	-
Subject to repo transactions	-	-	-	-	-	-	-	-
Held for structural position	-	-	-	-	-	-	-	-
Receivables from securities lending	-	-	-	-	-	-	-	-
Other (*)	-	1,144	-	1,255	-	3,145	-	3,218
Collaterals on securities lending	-	-	-	-	-	-	-	-
<b>Closing Balances</b>	<b>42,177</b>	<b>2,486</b>	<b>42,422</b>	<b>2,596</b>	<b>40,724</b>	<b>3,145</b>	<b>41,534</b>	<b>3,218</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 43,519, 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	42,177	1,342	40,724	-
Other	-	-	-	-
<b>Total</b>	<b>42,177</b>	<b>1,342</b>	<b>40,724</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)	Group'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
1,637	1,610	7	21	-	239	55	1,008

(\*) 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 September 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	5,891	4,717
Movements during the period	-	1,174
Purchases	-	744
Free shares obtained profit from current year's share	-	430
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Provision for impairment	-	-
<b>Balance at the end of the period</b>	<b>5,891</b>	<b>5,891</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	5,891	5,891
Valuation with fair value	-	-
Valuation with equity method	-	-
<b>Total</b>	<b>5,891</b>	<b>5,891</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.	5,891	5,891
<b>Total</b>	<b>5,891</b>	<b>5,891</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))	Group's share percentage- If different voting percentage(%)	Group's risk group share percentage (%)	Method of Consolidation
TEB Sigorta	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
25,938	4,879	494	357	-	(2,856)	582	-

(\*) The financial statements of TEB Sigorta is prepared in accordance with the principles of Insurance Law and the current year data is stated as of September 30, 2003 and the previous period data is the nominal values 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 is not included in the consolidation in accordance with AAR's materiality principle.

a.1) Information on unconsolidated subsidiaries:

Description	Address(City/ Country)	Group's share percentage-If different voting percentage(%)	Group's risk group share percentage (%)
TEB Kıymetli Madenler	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
222	215	-	-	-	(56)	40	-

(\*) The amounts at the financial statements are presented with their nominal values as of September 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	123,480	109,854
Movements during the period	3,640	13,626
Purchases	-	7,613
Free shares obtained profit from current year's share	10,980	5,004
Dividends from current year income	-	-
Sales	-	-
Revaluation increase (*)	(7,340)	1,009
Provision for impairment	-	-
<b>Balance at the end of the period</b>	<b>127,120</b>	<b>123,480</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	127,120	123,480
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	/ Economy Bank	48,454	47,579
Other Financial Sub.	/ Petek International	726	857
	TEB Yatırım	29,650	26,754
	TEB Portföy Yönetimi	3,202	3,202
Leasing Companies	/ TEB Leasing	27,762	27,762
Factoring Companies	/ TEB Factoring	17,326	17,326
		<b>127,120</b>	<b>123,480</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))	Group's share percentage- If different voting percentage(%)	Group's risk group share percentage (%)	Method of Consolidation
Economy Bank	Netherlands	100.00	-	Full
Petek International	Netherlands	100.00	-	Full
TEB Yatırım	İstanbul/Turkey	74.80	25.20	Full
TEB Portföy Yönetimi	İstanbul/Turkey	55.89	44.11	Full
TEB Leasing	İstanbul/Turkey	68.76	31.24	Full
TEB Factoring	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
1,111,387	74,129	5,189	39,912	(434)	3,836	8,112	-
1,628	1,628	-	-	-	(37)	3,262	-
17,583	14,565	418	377	2,039	739	2,983	-
5,473	4,787	526	598	76	1,022	876	-
220,844	81,095	174,114	1,044	65	26,454	4,141	-
69,543	7,914	1,514	9,999	-	1,238	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	86,095	75,231	70,410	61,540
Between 1-4 years	53,777	49,264	32,674	30,711
Over 4 years	333	298	4,240	1,912
<b>Total</b>	<b>140,205</b>	<b>124,793</b>	<b>107,324</b>	<b>94,163</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:

	Current Period		Prior Period	
	TP	YP	TP	YP
Accrued interest and income receivables				
Interest accruals - due	978	1	252	-
Interest accruals - not due	10,052	7,131	10,096	10,869
Loan commissions and other income accruals - due	-	-	-	-
Loan commissions and other income accruals - not due	11	3	12	1
<b>Total</b>	<b>11,041</b>	<b>7,135</b>	<b>10,360</b>	<b>10,870</b>

b) Information on other interest and income accruals:

	Current Period		Prior Period	
	TL	FC	TL	FC
Other interest and income accruals				
Trading securities	5,138	66	3,848	125
Securities available for sale	-	261	-	396
Securities held to maturity	963	168	809	74
Interest accruals of reverse repo transactions	-	-	-	-
Interest accruals of reserve deposits	1,537	152	1,019	274
Income accruals of financial derivative instruments	2,444	2,158	4,136	349
Interest and income accruals	10	-	-	-
Income accrual of foreign exchange gains	2,434	2,158	4,136	349
Income accruals of financial lease income	52	1,008	146	664
Other	8,055	629	6,335	590
<b>Total</b>	<b>18,189</b>	<b>4,442</b>	<b>16,293</b>	<b>2,472</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	7,175	2,262
Advances given	44	205
Prepaid rent expenses	456	456
Transaction cost related to financial liabilities	203	2,275
Prepaid taxes	33,755	11,950
Financial lease agreements in progress	5,669	1,547
Leasing premium receivable	16,716	14,690
Other	13,490	10,330
<b>Total</b>	<b>77,508</b>	<b>43,715</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 :

	Demand	7 day Call Accounts	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over
Saving deposits	47,576	2,202	109,228	52,257	48,414	36,008	24,789
Foreign currency deposits	336,941	-	475,772	311,695	18,488	6,462	1,185
Residents in Turkey	319,478	-	464,458	303,876	18,109	5,579	1,185
Residents abroad	17,463	-	11,314	7,819	379	883	-
Public sector deposits	12,518	-	-	-	-	-	-
Commercial deposits	152,683	732	684,570	39,609	81,481	78,564	19,896
Other institutions deposits	41,209	-	11,090	4,126	11	1	-
Precious metals deposits	4,296	-	1,375	8,591	-	-	-
Interbank deposits	20,613	-	31,734	49,671	3,745	2,600	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	131	-	-	-	-	-	-
Foreign Banks	14,039	-	31,734	49,671	3,745	2,600	-
Special finance houses	6,443	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>615,836</b>	<b>2,934</b>	<b>1,313,769</b>	<b>465,949</b>	<b>152,139</b>	<b>123,635</b>	<b>45,870</b>

a.2) Prior period:

	Demand	7 day Call Accounts	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over
Saving deposits	19,444	-	86,631	42,611	13,876	3,621	14,912
Foreign currency deposits	506,626	-	1,317,631	393,258	82,691	84,783	181,572
Residents in Turkey	434,604	-	546,075	339,475	32,720	7,827	373
Residents abroad	72,022	-	771,556	53,783	49,971	76,956	181,199
Public sector deposits	39	-	-	-	-	-	-
Commercial deposits	59,981	-	106,302	4,734	9,420	5	15
Other institutions deposits	36,269	-	475	16	8	1	-
Precious metals deposits	10,755	-	-	12,542	-	1,565	-
Interbank deposits	22,061	-	76,724	16,852	-	1,107	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	12,210	-	-	-	-	1,107	-
Foreign Banks	9,851	-	76,724	-	-	-	-
Special finance houses	-	-	-	16,852	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>655,175</b>	<b>-</b>	<b>1,587,763</b>	<b>470,013</b>	<b>105,995</b>	<b>91,082</b>	<b>196,499</b>

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

Saving Deposits	Under the guarantee of saving deposit insurance	Under the guarantee of saving deposit insurance	Exceeding the limit of saving deposit	Exceeding the limit of saving deposit
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	178,826	26,980	-	154,116
Foreign currency saving deposits	761,412	213,539	-	699,084
Other deposits in the form of saving deposits	1,083	753	-	7,313
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
<b>Total</b>	<b>941,321</b>	<b>241,272</b>	<b>-</b>	<b>860,513</b>

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In accordance with the BRSA legislation published in the Official Gazette No. 25157 at July 3, 2003, all saving deposits are taken under the guarantee of Saving Deposits Insurance Fund until July 5, 2004.

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 : TL 1,500 (December 31, 2002: None)

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	8,429	-	24,250	-
Financial institutions and organizations	3,000	-	14,395	-
Other institutions and organizations	1,279	-	4,478	-
Real persons	4,150	-	5,377	-
From foreign transactions	3	-	994	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	993	-
Real persons	3	-	1	-
<b>Total</b>	<b>8,432</b>	<b>-</b>	<b>25,244</b>	<b>-</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	63,450	409,662	39,119	298,651
Medium and long-term	-	71,723	-	97,225
<b>Total</b>	<b>63,450</b>	<b>481,845</b>	<b>39,119</b>	<b>395,876</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	110	133

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	10,252	5,245	5,868	9,775
Accrued interest on funds borrowed	2,259	4,751	2,281	2,420
Accrued interest on bonds	-	-	-	-
Accrued interest on repurchase agreement transactions	7	-	31	-
Accrued interest on derivative financial instruments	9,821	3,978	5,171	-
Accrued interest and expense	-	-	-	-
Foreign exchange losses accrued	9,821	3,978	5,171	-
Other interest and expense accruals	8,654	170	1,111	911
<b>Total</b>	<b>30,993</b>	<b>14,144</b>	<b>14,462</b>	<b>13,106</b>

10. Provisions and subordinated loans:

a) Information on general provisions:

	Current Period	Prior Period
General provisions	7,571	6,746
Provisions for First Group Loans and Receivables	6,356	5,723
Provisions for Second Group Loans and Receivables	39	35
Provisions for Non Cash Loans	1,176	988
Others	-	-
<b>Total</b>	<b>7,571</b>	<b>6,746</b>

b) Information on employee termination benefits and notice indemnity:

	5 PR	4 PR	3 PR	2 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	14,425
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						2,178

(\*) 5-year actual payment rate.

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

As of September 30, 2003, TL 1,106 of reserve for employee termination benefits and notice indemnity was reflected to the financial statements of Parent Bank corresponding to annually 8.35% of total liability of TL 14,425.

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 1,052 into their financial statements as of September 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	-	20,766	-	27,232
<b>Total</b>	-	<b>20,766</b>	-	<b>27,232</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	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 31,027 includes financial lease interest income amounting to TL 20,055 and factoring interest income amounting to TL 9,775.

The total other interest expense amounting to TL 26,386 consists of foreign exchange losses amounting to TL 12,406 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 13,619.

The total other fees and commissions received amounting to TL 26,410 majorly consists of credit card fees and commissions amounting to TL 5,059 and brokerage commissions amounting to TL 6,255. Other fees and commission expense totaling to TL 10,955 majorly consists of fees and commissions given to credit card transactions totaling to TL 5,011, and fees and commissions paid for the transactions generated from the interbank money market totalling to TL 1,278.

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	1,593	-	3,695	-

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	Time Deposits						Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	
<b>TL</b>							
Bank deposits	3	9,460	-	-	-	-	9,463
Saving deposits	743	20,535	16,733	8,606	1,801	4,341	52,759
Public sector deposits	-	-	-	-	-	-	-
Commercial deposits	1,960	18,047	7,982	3,097	167	5	31,258
Other deposits	19	293	107	3	-	-	422
7 days call accounts	-	-	-	-	-	-	-
<b>Total</b>	<b>2,725</b>	<b>48,335</b>	<b>24,822</b>	<b>11,706</b>	<b>1,968</b>	<b>4,346</b>	<b>93,902</b>
<b>FC</b>							
Foreign currency deposits(*)	1,326	12,309	9,798	1,889	720	11,303	37,345
7 days call accounts	-	-	-	-	-	-	-
Precious metal deposits	-	9	100	-	7	-	116
<b>Total</b>	<b>1,326</b>	<b>12,318</b>	<b>9,898</b>	<b>1,889</b>	<b>727</b>	<b>11,303</b>	<b>37,461</b>
<b>Total</b>	<b>4,051</b>	<b>60,653</b>	<b>34,720</b>	<b>13,595</b>	<b>2,695</b>	<b>15,649</b>	<b>131,363</b>

(\*) Interest expense on foreign currency deposits includes TL 1,137 of foreign currency bank deposits, TL 4,442 foreign currency saving deposits and TL 14,930 commercial deposits.

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## d) Interest expense on repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on repurchase agreements	13,619	-	26,594	-

## 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 Groups for loans and other receivables:

	Current Period	Prior Period
Specific provisions for loans and other receivables	1,601	13,628
Unsecured	-	-
Other groups	1,601	13,628
General provision expenses	2,582	2,524
Marketable securities impairment expense	1,038	90
Provision for impairment*	-	-
Other	850	1,148
<b>Total</b>	<b>6,071</b>	<b>17,390</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 Group has certain banking transactions with group companies. These are commercial transactions, which are realized in line with market rates. These are reflected in income statement. The related amounts are presented in Part V.

## 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	(389)	937

## 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 September 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 September 30, 2003 and December 31, 2002, credit card spending limit commitments are TL 98,981 and TL 74,554, 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 September 30, 2003 total guarantees and commitments consist of letter of guarantees amounting to TL 656,261 (December 31, 2002 – TL 642,876), acceptances amounting to TL 46,085 (December 31, 2002 – TL 44,687), and letters of credit amounting to TL 434,735 (December 31, 2002 – TL 356,502).

- b.2) Guarantees, surety ships and similar transactions : The Group has other commitments and contingencies amounting TL 14,464 (December 31, 2002 – TL 10,038) other than the ones explained in article b.1).

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

	Current Period	Prior Period
Guarantees given against cash loans	79,145	66,376
With maturity of 1 year or less than 1 year	19,145	24,870
With maturity of more than 1 year	60,000	41,506
Other non-cash loans	1,072,400	987,727
<b>Total</b>	<b>1,151,545</b>	<b>1,054,103</b>

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

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

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

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

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

**Fitch Ratings: July 2003**

<b>Foreign Currency Commitments</b>	
Long Term	B
View	Positive
<b>Turkish Lira Commitments</b>	
Long Term	B
View	Positive
<b>National</b>	
Long Term	A (tur)
View	Stable
<b>Individual Rating</b>	C/D
<b>Support Points</b>	5

Additionally, Fitch Ratings have made an announcement at October 2, 2003 and stated that TL and foreign currency rating and of the Bank has been increased to B from B(-).

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

1. Volume of The Banks'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	-	-	111,802	7,451	11,242	4,842
Balance at end of period	-	-	48,791	1,200	8,417	6,624
Interest and commission income	-	-	4,660	15	1,777	47

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	-	-	23,810	1,326	119,440	6,354
Balance at end of period	-	-	111,802	7,451	11,242	4,842
Interest and commission income	-	-	4,809	507	11,588	606

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	-	-	207,185	65,758	855,785	360,444
Balance at end of period	-	-	167,405	207,185	672,930	855,785
Interest on deposits	-	-	3,069	3,385	9,518	49,438

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	-	-	47,954	25,651	27,110	17,357
End of period	-	-	54,147	47,954	17,907	27,110
Total income/loss	-	-	(1,547)	(381)	(296)	684
Hedging transactions purposes						
Beginning of period	-	-	-	-	-	-
End of period	-	-	-	-	-	-
Total income/loss	-	-	(1,547)	(381)	(296)	684

(\*) 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	840,335	30.89
Noncash loans	72,054	9.09
Deposits	57,208	3.78
Forward transactions and option agreements	7,824	0.68

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 Leasing. The total leasing obligations related to these agreements amounted to TL 5,364. Additionally, the Group provides agency services for TEB Sigorta and TEB Yatırım.

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 2.43 %. Amounts of these loans are explained in the note 1a.

As of September 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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**VI- 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 Groups to restate their financials in the equivalent purchasing power of Turkish Lira at the balance sheet date. One characteristic that necessitates the application of inflation accounting under the provisions of Communiqué No : 14 is a cumulative three-year inflation rate approaching or exceeding 100%. As of September 30, 2003 based on the wholesale price indices announced by the State Institute of Statistics, the cumulative three-year inflation rate in Turkey is 193 %.

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 September 30, 2003, reflecting the restatement for the changes in the general purchasing power of the Turkish is as follows:

	Index	Conversion Factors
December 31, 2002	6,478.8	1.107
December 31, 2001	4,951.7	1.449
December 31, 2000	2,626.0	2.732
September 30, 2003	7,173.3	1.000
September 30, 2002	6,024.6	1.191

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 Group obtains expertise reports for its buildings.

As of September 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 September 30, 2003 and 2002 are reviewed. Balance sheet as of December 31, 2002, is audited.

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

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

**VIII- Explanations Related to Subsequent Events**

Disclosure related to subsequent events and their impact on the financial statements as required by the related standard:

- a) The syndication loan which is included in the accompanying financial statements amounting to USD100,000,000 has been repaid at October 20, 2003 and with respect to the decision of the Board of the Bank dated October 17, 2003, an agreement for a one- year syndication loan amounting to USD 125,000,000 has been signed at October 27, 2003.
- b) In the Extraordinary General Meeting held at October 23, 2003, it was decided to increase the share capital of TEB Leasing from TL10,000 to TL29,500 by revaluation fund.
- c) In the Extraordinary General Meeting held at October 30, 2003, it was decided to increase the share capital of TEB Sigorta from TL3,325 to TL10,000 by cash resources and the Bank to participate by paying TL3,338 for the share capital increase.
- d) The impact of significant changes in foreign exchange rates subsequent to the balance sheet date on the foreign currency transactions, items and on the financial statements of the 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 November 20, 2003, is presented preceding the consolidated interim financial statements.