

**Türk Ekonomi Bankası  
Anonim Şirketi**

**Unconsolidated Financial Statements  
As of December 31, 2003  
Together With Auditors' Report**

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

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)****TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ  
AUDITORS' REPORT  
AS OF DECEMBER 31, 2003**

We have audited the balance sheet of Türk Ekonomi Bankası Anonim Şirketi (the Bank) as of December 31, 2003 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are expressed in the equivalent purchasing power of Turkish lira as of December 31, 2003. These financial statements are the responsibility of the Bank's management. Our responsibility as independent auditors is to express an opinion on these financial statements based on our audit.

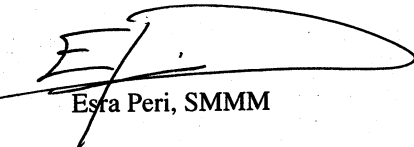
We conducted our audit in accordance with the auditing standards which were determined under the provisions of Banking Law Number 4389. These standards require that the audit should be planned and performed to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Türk Ekonomi Bankası Anonim Şirketi as of December 31, 2003 and the results of its operations and cash flows for the year then ended 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 and cash flows in accordance with the accounting principles generally accepted in the countries of users of the financial statements and IFRS. The Bank's consolidated financial statements prepared in accordance with the accounting principles and standards that are based on the Article 13 of the Banking Law number 4389 will be issued separately.

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



Esra Peri, SMMM

February 6, 2004  
Istanbul, Turkey

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

**INDEX**

	<b>Page no.</b>
<b>SECTION ONE</b>	
General Information	
I. Footnotes and Explanations on the Activities and Operations of the Bank	1
II. The Explanations and Footnotes Regarding the Including Group of the Bank	1
<b>SECTION TWO</b>	
Financial Statements	
I. Balance Sheets – Assets	3
II. Balance Sheets – Liabilities	4
III. Statements of Income	5
IV. Statements of Off Balance Sheet Commitments	6
V. Statements of Changes in Shareholders' Equity	7
VI. Statements of Cash Flows	8
VII. Statements of Profit Appropriation Table	9
<b>SECTION THREE</b>	
Accounting Principles	
I. Basis of Presentation	10
II. Explanations on Forward, Option Contracts and Derivative Instruments	10
III. Offsetting Financial Assets and Liabilities	11
IV. Interest Income and Expense	11
V. Fees and Commission Income and Expense	11
VI. Securities Held for Trading	11
VII. Sales and Repurchase Agreements and Lending of Securities	11
VIII. Securities Held to Maturity, Securities Available for Sale and Originated Loans and Receivables	12
IX. Participations	12
X. Subsidiaries	12
XI. Originated Loans and Receivables and Provisions for Loan Losses	13
XII. Goodwill and Other Intangible Fixed Assets	13
XIII. Tangible Fixed Assets	14
XIV. Leasing Transactions	14
XV. Provisions and Contingent Liabilities	15
XVI. Liabilities Regarding Employee Benefits	15
XVII. Taxation	15
XVIII. Additional Explanations on Borrowings	16
XIX. Paid-in Capital and Share Certificates	16
XX. Acceptances	16
XXI. Government Incentives	16
XXII. Securities at Custody	16
XXIII. Impairment of Assets	17
XXIV. Segment Reporting	17
XXV. Other Matters	17
<b>SECTION FOUR</b>	
Information on Financial Structure	
I. Strategy for the use of Financial Instruments and Explanations Regarding Foreign Currency Translations	18
II. Capital Adequacy Standard Ratio	19
III. Credit Risk	21
IV. Market Risk	23
V. Foreign Currency Risk	24
VI. Interest Rate Risk	26
VII. Liquidity Risk	28
VIII. Fair Value of Financial Assets and Liabilities	29
IX. Fiduciary Transactions	29
X. Segment Reporting	29
<b>SECTION FIVE</b>	
Footnotes and Explanations on Unconsolidated Financial Statements	
I. Footnotes and Explanations Related to Assets	30
II. Footnotes and Explanations Related to Liabilities	42
III. Footnotes and Explanations Related to Income Statement	49
IV. Footnotes and Explanations Related to Off-balance Sheet Commitments	53
V. Footnotes and Explanations Related to Statements of Changes in Shareholders' Equity	57
VI. Footnotes and Explanations Related to Statements of Cash Flows	58
VII. Explanations Related to Mergers and Acquisitions	59
VIII. Explanations Related to the Risk Group of the Bank	60
IX. Explanations Related to Inflation Accounting	62
X. Explanations Related to the Local, Foreign and Offshore Branches, Subsidiaries and Representative Offices of the Bank	64
XI. Explanations Related to Subsequent Events	64
<b>SECTION SIX</b>	
Other Explanations and Footnotes	
I. Other Explanations Related to the Bank's Activities	65
<b>SECTION SEVEN</b>	
Explanations Related to Independent Auditors' Report	
I. Explanations on the Independent Audit Report	65

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

**SECTION ONE**

**GENERAL INFORMATION**

**I- Footnotes and Explanations on the Activities and Operations of the Bank**

- a) Commercial name of the Bank : Türk Ekonomi Bankası Anonim Şirketi (the Bank)  
Reporting period : 1 January – 31 December 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 : investor.relations@teb.com.tr
- b) The Bank's activities and operations: The Bank's operating areas include, commercial and corporate banking, fund management operations, retail banking and credit card operations.
- c) Financial statements and relevant explanations together with the footnotes are stated in billions of Turkish Lira.

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

The Group of the Bank: Türk Ekonomi Bankası Anonim Şirketi ("the Bank") is included in Çolakoğlu Group. 70.17% of the shares of the Bank belongs to TEB Mali Yatırımlar Anonim Şirketi (TEB Mali Yatırımlar) and 8.60% of the shares belongs to Çolakoğlu Metalurji Anonim Şirketi.

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

## **SECTION TWO**

### **UNCONSOLIDATED FINANCIAL STATEMENTS**

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

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

**I- BALANCE SHEETS – ASSETS**

ASSETS	Note Ref (Section 5)	Current Period 31.12.2003			Prior Period 31.12.2002		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY</b>		<b>62,491</b>	<b>517,195</b>	<b>579,686</b>	<b>23,767</b>	<b>465,593</b>	<b>489,360</b>
1.1 Cash		8,470	-	8,470	6,905	-	6,905
1.2 Foreign currency		-	57,200	57,200	-	91,865	91,865
1.3 Balances with the Central Bank of Turkey	I-1	54,021	459,995	514,016	16,862	373,728	390,590
<b>II. TRADING SECURITIES (Net)</b>		<b>24,783</b>	<b>2,667</b>	<b>27,450</b>	<b>28,478</b>	<b>3,350</b>	<b>31,828</b>
2.1 Public sector debt securities	I-2	24,783	2,249	27,032	28,478	3,040	31,518
2.1.1 Government bonds		23,914	790	24,704	21,936	-	21,936
2.1.2 Treasury bills		868	-	868	6,541	-	6,541
2.1.3 Other		1	1,459	1,460	1	3,040	3,041
2.2 Share certificates		-	-	-	-	-	-
2.3 Other marketable securities		-	418	418	-	310	310
<b>III. BANKS AND OTHER FINANCIAL INSTITUTIONS</b>		<b>39,526</b>	<b>136,169</b>	<b>175,695</b>	<b>26,218</b>	<b>346,633</b>	<b>372,851</b>
3.1 Due from banks		39,526	136,169	175,695	26,218	346,633	372,851
3.1.1 Domestic banks		39,526	56,032	95,558	26,218	120,531	146,749
3.1.2 Foreign banks	I-3	-	80,137	80,137	-	226,102	226,102
3.2 Other financial institutions		-	-	-	-	-	-
<b>IV. MONEY MARKET PLACEMENTS</b>		<b>367,000</b>	<b>64,091</b>	<b>431,091</b>	<b>258,934</b>	<b>203,652</b>	<b>462,586</b>
4.1 Interbank money market placements		367,000	64,091	431,091	258,934	203,652	462,586
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements	I-4	-	-	-	-	-	-
<b>V. SECURITIES AVAILABLE FOR SALE (Net)</b>		<b>9</b>	<b>-</b>	<b>9</b>	<b>10</b>	<b>19,206</b>	<b>19,216</b>
5.1 Share certificates	I-5	9	-	9	10	-	10
5.2 Other marketable securities		-	-	-	-	19,206	19,206
<b>VI. LOANS</b>		<b>515,623</b>	<b>652,207</b>	<b>1,167,830</b>	<b>405,695</b>	<b>507,977</b>	<b>913,672</b>
6.1 Short term	I-6	449,149	598,979	1,048,128	376,271	489,246	865,517
6.2 Medium and long term	I-6	58,003	53,228	111,231	23,769	18,731	42,500
6.3 Loans under follow-up	I-6	24,415	-	24,415	23,031	-	23,031
6.4 Specific provisions (-)	I-6	(15,944)	-	(15,944)	(17,376)	-	(17,376)
<b>VII. FACTORING RECEIVABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. SECURITIES HELD TO MATURITY (Net)</b>		<b>85,800</b>	<b>-</b>	<b>85,800</b>	<b>41,654</b>	<b>-</b>	<b>41,654</b>
8.1 Public sector debt securities		85,800	-	85,800	41,654	-	41,654
8.1.1 Government bonds	I-8	85,800	-	85,800	41,654	-	41,654
8.1.2 Treasury bills		-	-	-	-	-	-
8.1.3 Other		-	-	-	-	-	-
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. INVESTMENTS AND ASSOCIATES (Net)</b>		<b>9,775</b>	<b>-</b>	<b>9,775</b>	<b>6,430</b>	<b>-</b>	<b>6,430</b>
9.1 Financial investments and associates	I-9	9,775	-	9,775	6,430	-	6,430
9.2 Non-Financial investments and associates		-	-	-	-	-	-
<b>X. SUBSIDIARIES (Net)</b>		<b>67,944</b>	<b>53,515</b>	<b>121,459</b>	<b>65,431</b>	<b>49,847</b>	<b>115,278</b>
10.1 Financial subsidiaries	I-10	67,944	53,515	121,459	65,431	49,847	115,278
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>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1 Gross finance lease receivables	I-12	-	-	-	-	-	-
12.2 Unearned income (-)		-	-	-	-	-	-
<b>XIII. RESERVE DEPOSITS</b>		<b>18,006</b>	<b>129,922</b>	<b>147,928</b>	<b>10,530</b>	<b>139,765</b>	<b>150,295</b>
<b>XIV. MISCELLANEOUS RECEIVABLES</b>		<b>294</b>	<b>82</b>	<b>376</b>	<b>297</b>	<b>44</b>	<b>341</b>
<b>XV. ACCRUED INTEREST INCOME</b>		<b>22,296</b>	<b>7,120</b>	<b>29,416</b>	<b>27,415</b>	<b>3,839</b>	<b>31,254</b>
15.1 Loans	I-14	8,727	3,558	12,285	10,633	2,989	13,622
15.2 Marketable securities	I-14	2,256	46	2,302	4,565	425	4,990
15.3 Other	I-14	11,313	3,516	14,829	12,217	425	12,642
<b>XVI. PROPERTY AND EQUIPMENT (Net)</b>		<b>36,351</b>	<b>-</b>	<b>36,351</b>	<b>42,426</b>	<b>-</b>	<b>42,426</b>
16.1 Book value	I-15	94,653	-	94,653	95,424	-	95,424
16.2 Accumulated depreciation (-)	I-15	(58,302)	-	(58,302)	(52,998)	-	(52,998)
<b>XVII. INTANGIBLE ASSETS [Net]</b>		<b>3,396</b>	<b>-</b>	<b>3,396</b>	<b>3,376</b>	<b>-</b>	<b>3,376</b>
17.1 Goodwill		-	-	-	-	-	-
17.2 Other	I-16	8,720	-	8,720	7,510	-	7,510
17.3 Accumulated amortization (-)	I-16	(5,324)	-	(5,324)	(4,134)	-	(4,134)
<b>XVIII. OTHER ASSETS</b>		<b>32,311</b>	<b>406</b>	<b>32,717</b>	<b>21,458</b>	<b>2,034</b>	<b>23,492</b>
<b>TOTAL ASSETS</b>		<b>1,285,605</b>	<b>1,563,374</b>	<b>2,848,979</b>	<b>962,119</b>	<b>1,741,940</b>	<b>2,704,059</b>

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

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

**II- BALANCE SHEETS - LIABILITIES**

LIABILITIES	Note Ref. (Section 5)	Current Period 31.12.2003			Prior Period 31.12.2002		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>		<b>657,732</b>	<b>1,319,789</b>	<b>1,977,521</b>	<b>406,574</b>	<b>1,520,747</b>	<b>1,927,321</b>
1.1 Bank deposits	II-1	61,214	62,205	123,419	20,862	47,440	68,302
1.2 Saving deposits	II-1	278,320	-	278,320	186,368	-	186,368
1.3 Public sector deposits	II-1	104	-	104	40	-	40
1.4 Commercial deposits	II-1	275,960	-	275,960	161,463	-	161,463
1.5 Other institutions deposits	II-1	42,134	-	42,134	37,841	-	37,841
1.6 Foreign currency deposits	II-1	-	1,242,866	1,242,866	-	1,447,722	1,447,722
1.7 Precious metals deposit accounts	II-1	-	14,718	14,718	-	25,585	25,585
<b>II. MONEY MARKET BALANCES</b>		<b>15,422</b>	<b>-</b>	<b>15,422</b>	<b>25,979</b>	<b>-</b>	<b>25,979</b>
2.1 Interbank money market borrowings		-	-	-	-	-	-
2.2 Istanbul Stock Exchange money market borrowings		-	-	-	-	-	-
2.3 Funds obtained under repurchase agreements	II-2	15,422	-	15,422	25,979	-	25,979
<b>III. FUNDS BORROWED</b>	II-3	<b>39,114</b>	<b>324,035</b>	<b>363,149</b>	<b>18,169</b>	<b>281,544</b>	<b>299,713</b>
3.1 Funds borrowed from the Central Bank of Turkey		-	-	-	-	-	-
3.2 Other funds borrowed		39,114	324,035	363,149	18,169	281,544	299,713
3.2.1 Domestic banks and institutions		23,719	25,719	49,438	18,169	13,838	32,007
3.2.2 Foreign banks, institutions and funds		15,395	298,316	313,711	-	267,706	267,706
<b>IV. MARKETABLE SECURITIES ISSUED (Net)</b>	II-4	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1 Bills		-	-	-	-	-	-
4.2 Asset backed securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
<b>V. FUNDS</b>	II-5	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VI. MISCELLANEOUS PAYABLES</b>	II-6	<b>14,229</b>	<b>10,262</b>	<b>24,491</b>	<b>12,365</b>	<b>28,070</b>	<b>40,435</b>
<b>VII. OTHER LIABILITIES</b>	II-7	<b>32,911</b>	<b>6,086</b>	<b>38,997</b>	<b>21,245</b>	<b>7,526</b>	<b>28,771</b>
<b>VIII. TAXES AND OTHER DUTIES PAYABLE</b>	II-8	<b>7,546</b>	<b>-</b>	<b>7,546</b>	<b>6,777</b>	<b>-</b>	<b>6,777</b>
<b>IX. FACTORING PAYABLES</b>	II-9	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. FINANCE LEASE PAYABLES (Net)</b>		<b>-</b>	<b>4,899</b>	<b>4,899</b>	<b>-</b>	<b>7,687</b>	<b>7,687</b>
10.1 Finance Lease Payables	II-10	-	6,035	6,035	-	9,315	9,315
10.2 Deferred finance lease expenses ( - )	II-10	-	(1,136)	(1,136)	-	(1,628)	(1,628)
<b>XI. ACCRUED INTEREST EXPENSES ON</b>		<b>22,598</b>	<b>7,563</b>	<b>30,161</b>	<b>14,191</b>	<b>2,776</b>	<b>16,967</b>
11.1 Deposits	II-11	11,739	1,237	12,976	5,974	1,153	7,127
11.2 Borrowings	II-11	1,752	2,299	4,051	1,848	1,623	3,471
11.3 Repurchase agreements	II-11	14	-	14	32	-	32
11.4 Other	II-11	9,093	4,027	13,120	6,337	-	6,337
<b>XII. PROVISIONS</b>		<b>39,407</b>	<b>-</b>	<b>39,407</b>	<b>30,937</b>	<b>-</b>	<b>30,937</b>
12.1 General provisions	II-12	7,886	-	7,886	6,942	-	6,942
12.2 Reserve for employee termination benefits	II-12	1,235	-	1,235	1,055	-	1,055
12.3 Provisions for income taxes		29,972	-	29,972	22,324	-	22,324
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		314	-	314	616	-	616
<b>XIII. SUBORDINATED LOANS</b>	II-12	<b>-</b>	<b>20,899</b>	<b>20,899</b>	<b>-</b>	<b>28,025</b>	<b>28,025</b>
<b>XIV. SHAREHOLDERS' EQUITY</b>		<b>326,487</b>	<b>-</b>	<b>326,487</b>	<b>291,447</b>	<b>-</b>	<b>291,447</b>
14.1 Paid-in capital	II-13	55,125	-	55,125	55,125	-	55,125
14.2 Supplementary capital		215,693	-	215,693	215,227	-	215,227
14.2.1 Share premium	II-14	-	-	-	-	-	-
14.2.2 Share cancellation profits		-	-	-	-	-	-
14.2.3 Marketable securities value increase fund	II-15	111	-	111	229	-	229
14.2.4 Revaluation fund	II-16	584	-	584	-	-	-
14.2.5 Value increase in revaluation fund	II-17	-	-	-	-	-	-
14.2.6 Other capital reserves		-	-	-	-	-	-
14.2.7 Effect on inflation accounting on share capital		214,998	-	214,998	214,998	-	214,998
14.3 Profit reserves		2,442	-	2,442	-	-	-
14.3.1 Legal reserves	II-18	2,442	-	2,442	-	-	-
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves	II-19	-	-	-	-	-	-
14.3.4 Other profit reserves		-	-	-	-	-	-
14.4 Profit or loss		53,227	-	53,227	21,095	-	21,095
14.4.1 Prior year income/loss		2,325	-	2,325	-	-	-
14.4.2 Current year income/loss		50,902	-	50,902	21,095	-	21,095
<b>TOTAL LIABILITIES</b>		<b>1,155,446</b>	<b>1,693,533</b>	<b>2,848,979</b>	<b>827,684</b>	<b>1,876,375</b>	<b>2,704,059</b>

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

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
**TÜRK EKONOMİ BANKASI A.Ş.**  
**STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**  
(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

**III. INCOME AND EXPENSES**

		Current Period	Prior Period	
		31.12.2003	31.12.2002	
		Note Ref.		
		(Section 5)	Total	
			Total	
<b>I.</b>	<b>INTEREST INCOME</b>	III-1	<b>324,726</b>	<b>371,225</b>
1.1	Interest on loans		178,437	182,070
1.1.1	Interest on TL loans		149,688	150,903
1.1.1.1	Short term loans		139,995	142,125
1.1.1.2	Medium and long term loans		9,693	8,778
1.1.2	Interest on foreign currency loans		28,430	30,437
1.1.2.1	Short term loans		26,443	29,363
1.1.2.2	Medium and long term loans		1,987	1,074
1.1.3	Interest on loans under follow-up		319	730
1.1.4	Premiums received from Resource Utilisation Support Fund		-	-
1.2	Interest received from reserve deposits		6,309	4,836
1.3	Interest received from banks		28,335	19,858
1.3.1	The Central Bank of Turkey		-	21
1.3.2	Domestic banks		22,231	13,146
1.3.3	Foreign banks		6,104	6,691
1.4	Interest received from money market transactions		87,175	97,818
1.5	Interest received from marketable securities portfolio		24,142	66,098
1.5.1	Trading securities		3,027	28,437
1.5.2	Available-for-sale securities		2,934	877
1.5.3	Held to maturity securities		18,181	36,784
1.6	Other interest income		328	545
<b>II.</b>	<b>INTEREST EXPENSE</b>	III-2	<b>188,148</b>	<b>194,739</b>
2.1	Interest on deposits	III-2	139,086	126,347
2.1.1	Bank deposits		13,079	9,652
2.1.2	Saving deposits		66,135	83,144
2.1.3	Public sector deposits		-	5
2.1.4	Commercial deposits		35,524	11,095
2.1.5	Other institutions deposits		607	177
2.1.6	Foreign currency deposits		23,560	22,108
2.1.7	Precious metals deposit accounts		181	166
2.2	Interest on money market transactions		-	38
2.3	Interest on funds borrowed		20,147	34,062
2.3.1	The Central Bank of Turkey		-	-
2.3.2	Domestic banks		9,333	8,555
2.3.3	Foreign banks		7,455	24,920
2.3.4	Other financial institutions		3,359	587
2.4	Interest on securities issued		-	-
2.5	Other interest expense	III-2	28,915	34,292
<b>III.</b>	<b>NET INTEREST INCOME (I - II)</b>		<b>136,578</b>	<b>176,486</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME</b>		<b>18,521</b>	<b>18,943</b>
4.1	Fees and commissions received		34,014	33,088
4.1.1	Cash loans		3,300	2,967
4.1.2	Non-cash loans		9,684	8,252
4.1.3	Other		21,030	21,869
4.2	Fees and commissions paid		15,493	14,145
4.2.1	Cash loans		2,566	2,017
4.2.2	Non-cash loans		33	32
4.2.3	Other		12,894	12,096
<b>V.</b>	<b>DIVIDEND INCOME</b>		-	-
5.1	Trading securities		-	-
5.2	Available-for-sale securities		-	-
<b>VI.</b>	<b>NET TRADING INCOME</b>		<b>52,580</b>	<b>22,679</b>
6.1	Profit/losses on trading account securities (Net)		41,373	21,393
6.2	Foreign exchange gains/losses (Net)		11,207	1,286
<b>VII.</b>	<b>PROFIT/LOSS FROM HELD TO MATURITY MARKETABLE SECURITIES</b>	III-3	-	-
<b>VIII.</b>	<b>OTHER OPERATING INCOME</b>	III-4	<b>16,855</b>	<b>13,632</b>
<b>IX.</b>	<b>TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>		<b>224,534</b>	<b>231,740</b>
<b>X.</b>	<b>PROVISION FOR LOAN LOSSES OR OTHER RECEIVABLES (-)</b>	III-5	<b>5,472</b>	<b>17,972</b>
<b>XI.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	III-6	<b>125,596</b>	<b>129,017</b>
<b>XII.</b>	<b>NET OPERATING INCOME (IX-X-XI)</b>		<b>93,466</b>	<b>84,751</b>
<b>XIII.</b>	<b>PROFIT/LOSSES FROM ASSOCIATES AND SUBSIDIARIES</b>	III-7	<b>12,433</b>	<b>7,821</b>
<b>XIV.</b>	<b>NET POSITION INCOME/EXPENSE</b>		<b>(25,451)</b>	<b>(46,896)</b>
<b>XV.</b>	<b>INCOME BEFORE TAXES (XII+XIII)</b>		<b>80,448</b>	<b>45,676</b>
<b>XVI.</b>	<b>PROVISION FOR TAXES ON INCOME (-)</b>		<b>29,546</b>	<b>24,581</b>
<b>XVII.</b>	<b>NET OPERATING INCOME/EXPENSE AFTER TAXES (XIV-XV)</b>		<b>50,902</b>	<b>21,095</b>
<b>XVIII.</b>	<b>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.</b>	<b>NET PROFIT/LOSSES</b>	III-8	<b>50,902</b>	<b>21,095</b>
	Earnings/Losses per share		461.70	191.34

The accompanying notes are an integral part of these statements.

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

**IV. OFF BALANCE SHEET COMMITMENTS**

	Note Ref (Section 5).	Current Period 31.12.2003			Prior Period 31.12.2002		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>A. OFF BALANCE SHEET COMMITMENTS (I-II+III)</b>		<b>770,405</b>	<b>1,663,150</b>	<b>2,433,555</b>	<b>598,980</b>	<b>1,579,462</b>	<b>2,178,442</b>
<b>I. GUARANTEES</b>	IV-3,4,5,8	<b>376,481</b>	<b>713,499</b>	<b>1,089,980</b>	<b>298,431</b>	<b>622,118</b>	<b>920,549</b>
1.1. Letters of guarantee	IV-3	376,409	314,227	690,636	298,349	289,546	587,895
1.1.1. Guarantees subject to State Tender Law		32,763	1,814	34,577	32,482	288	32,770
1.1.2. Guarantees given for foreign trade operations		85,455	794	86,249	79,471	10,821	90,292
1.1.3. Other letters of guarantee		258,191	311,619	569,810	186,396	278,437	464,833
1.2. Banks loans	IV-3	-	48,514	48,514	-	45,988	45,988
1.2.1. Import letter of acceptance		-	48,514	48,514	-	45,988	45,988
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit	IV-3	72	346,768	346,840	82	277,892	277,974
1.3.1. Documentary letters of credit		72	320,994	321,066	82	234,348	234,430
1.3.2. Other letters of credit		-	25,774	25,774	-	43,544	43,544
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Securities issue purchase guarantees		-	-	-	-	-	-
1.7. Other guarantees		-	-	-	-	-	-
1.8. Other collaterals		-	3,990	3,990	-	8,692	8,692
<b>II. COMMITMENTS</b>		<b>333,514</b>	<b>278,799</b>	<b>612,313</b>	<b>206,507</b>	<b>375,136</b>	<b>581,643</b>
2.1. Irrevocable commitments		333,514	278,799	612,313	206,507	375,136	581,643
2.1.1. Asset purchase commitments		-	-	-	1,140	-	1,140
2.1.2. Deposit purchase and sales commitments		-	278,799	278,799	-	375,136	375,136
2.1.3. Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		123,744	-	123,744	128,643	-	128,643
2.1.5. Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for credit card limits	IV-3	107,169	-	107,169	76,724	-	76,724
2.1.8. Other irrevocable commitments		102,601	-	102,601	-	-	-
2.2. Revocable commitments		-	-	-	-	-	-
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>60,410</b>	<b>670,852</b>	<b>731,262</b>	<b>94,042</b>	<b>582,208</b>	<b>676,250</b>
3.1. Forward foreign currency buy/sell transactions	IV-2	60,410	396,605	457,015	94,042	242,404	336,446
3.1.1. Forward foreign currency transactions-buy	IV-2	21,967	205,304	227,271	23,932	142,921	166,853
3.1.2. Forward foreign currency transactions-sell	IV-2	38,443	191,301	229,744	70,110	99,483	169,593
3.2. Swap transactions related to f.c. and interest rates	IV-2	-	274,247	274,247	-	339,804	339,804
3.2.1. Foreign currency swap-buy	IV-2	-	136,249	136,249	-	169,095	169,095
3.2.2. Foreign currency swap-sell	IV-2	-	137,124	137,124	-	170,709	170,709
3.2.3. Interest rate swaps-buy	IV-2	-	410	410	-	-	-
3.2.4. Interest rate swaps-sell	IV-2	-	464	464	-	-	-
3.3. Foreign currency and interest rate options		-	-	-	-	-	-
3.3.1. Foreign currency options-buy		-	-	-	-	-	-
3.3.2. Foreign currency options-sell		-	-	-	-	-	-
3.3.3. Interest rate options-buy		-	-	-	-	-	-
3.3.4. Interest rate options-sell		-	-	-	-	-	-
3.4. Foreign currency futures		-	-	-	-	-	-
3.4.1. Foreign currency futures-buy		-	-	-	-	-	-
3.4.2. Foreign currency futures-sell		-	-	-	-	-	-
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>1,771,531</b>	<b>615,117</b>	<b>2,386,648</b>	<b>1,316,749</b>	<b>437,810</b>	<b>1,754,559</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>1,288,427</b>	<b>303,964</b>	<b>1,592,391</b>	<b>921,355</b>	<b>292,766</b>	<b>1,214,121</b>
4.1. Assets under management		-	-	-	-	-	-
4.2. Investment securities held in custody		493,543	144,924	638,467	320,941	165,044	485,985
4.3. Checks received for collection		747,058	70,756	817,814	586,074	50,358	636,432
4.4. Commercial notes received for collection		47,826	35,953	83,779	14,340	23,890	38,230
4.5. Other assets received for collection		-	52,331	52,331	-	53,474	53,474
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		-	-	-	-	-	-
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>483,104</b>	<b>311,153</b>	<b>794,257</b>	<b>395,394</b>	<b>145,044</b>	<b>540,438</b>
5.1. Marketable securities		21,685	14,614	36,299	10,523	9,536	20,059
5.2. Guarantee notes		5,742	2,289	8,031	7,073	1,503	8,576
5.3. Commodity		188,090	15,282	203,372	214,890	-	214,890
5.4. Warranty		-	-	-	-	-	-
5.5. Immovables		140,146	175,143	315,289	127,326	42,214	169,540
5.6. Other pledged items		127,441	103,825	231,266	35,582	91,791	127,373
5.7. Pledged items-depository		-	-	-	-	-	-
<b>TOTAL COMMITMENTS (A+B)</b>		<b>2,541,936</b>	<b>2,278,267</b>	<b>4,820,203</b>	<b>1,915,729</b>	<b>2,017,272</b>	<b>3,933,001</b>

The accompanying notes are an integral part of these statements.

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

**V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

	Note Ref (Section 5)	Paid-in Capital	Accounting on Capital	Share premium	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Value Increase		Total
											Revaluation Fund	Marketable Securities Value Increase Fund	
1													
Balances at the beginning of the period -01.01.2002		55,125	469,783	-	57,543	-	-	-	(19,803)	(292,525)	-	-	270,123
2		-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange difference		-	-	-	-	-	-	-	-	-	-	-	-
3		-	-	-	-	-	-	-	21,095	-	-	-	21,095
Net Income		-	-	-	-	-	-	-	-	-	-	-	-
4		-	-	-	-	-	-	-	-	-	-	229	229
Dividend		-	-	-	-	-	-	-	-	-	-	-	-
5	V-4	-	(254,785)	-	(57,543)	-	-	-	19,803	292,525	-	-	-
Transferred to legal reserves		-	-	-	-	-	-	-	-	-	-	-	-
6		-	-	-	-	-	-	-	-	-	-	-	-
Bond Convertible to shares		-	-	-	-	-	-	-	-	-	-	-	-
7		-	-	-	-	-	-	-	-	-	-	-	-
Issuance of share certificate		-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Balance of the period -31.12.2001</b>		<b>55,125</b>	<b>214,998</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,095</b>	<b>-</b>	<b>-</b>	<b>229</b>	<b>291,447</b>
Balances at the beginning of the period -01.01.2003		55,125	214,998	-	-	-	-	-	21,095	-	-	-	291,447
<b>Increases in the period :</b>													
2		-	-	-	-	-	-	-	-	-	-	-	-
Available for sale investment		-	-	-	-	-	-	-	-	-	-	-	-
2.1		-	-	-	-	-	-	-	-	-	-	-	-
Net fair value gain/losses		-	-	-	-	-	-	-	-	-	-	-	-
3		-	-	-	-	-	-	-	-	-	-	-	-
<b>Cash flow hedge:</b>													
3.1		-	-	-	-	-	-	-	-	-	-	-	-
Net fair value gain/losses		-	-	-	-	-	-	-	-	-	-	-	-
4		-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange difference		-	-	-	-	-	-	-	-	-	-	-	-
<b>Transferred Amounts :</b>													
5		-	-	-	-	-	-	-	-	-	-	-	-
Available for sale investment		-	-	-	-	-	-	-	-	-	-	-	-
5.1		-	-	-	-	-	-	-	-	-	-	-	-
Transferred to net income		-	-	-	-	-	-	-	-	-	-	-	-
6		-	-	-	-	-	-	-	-	-	-	-	-
<b>Cash flow hedge:</b>													
6.1		-	-	-	-	-	-	-	-	-	-	-	-
Transferred to net income		-	-	-	-	-	-	-	-	-	-	-	-
6.2		-	-	-	-	-	-	-	-	-	-	-	-
Transferred to assets		-	-	-	-	-	-	-	-	-	-	-	-
7		-	-	-	-	-	-	-	-	-	-	-	-
Net Income		-	-	-	-	-	-	-	-	-	-	-	-
8		-	-	-	-	-	-	-	50,902	-	-	-	50,902
Dividend		-	-	-	-	-	-	-	-	-	-	-	-
9		-	-	-	-	-	-	-	(21,095)	(16,328)	-	-	(16,328)
Transferred to legal reserves		-	-	-	-	-	-	-	-	18,653	-	-	-
10	II-16	-	-	-	2,442	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	584	-	466
<b>Closing Balance (1+2+3+4+5+6+7+8+9+10)</b>		<b>55,125</b>	<b>214,998</b>	<b>-</b>	<b>2,442</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,902</b>	<b>2,325</b>	<b>584</b>	<b>(118)</b>	<b>326,487</b>

The accompanying notes are an integral part of these statements.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)  
TÜRK EKONOMİ BANKASI A.Ş.  
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002  
(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)**

**VI. STATEMENTS OF CASH FLOWS**

	Note Ref.	Current Period 31.12.2003	Prior Period 31.12.2002
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1</b>		<b>48,872</b>	<b>44,425</b>
<b>Operating profit before changes in operating assets and liabilities(+)</b>			
1.1.1		328.751	381.313
1.1.2		(181.737)	(200.537)
1.1.3		507	7.821
1.1.4		34.014	33.087
1.1.5		52.494	34.383
1.1.6		5.422	643
1.1.7		(57.188)	(50.545)
1.1.8		(94.038)	(33.361)
1.1.9	VI-1	(39.353)	(128.379)
<b>1.2</b>		<b>(15,106)</b>	<b>(124,796)</b>
<b>Changes in operating assets and liabilities</b>			
1.2.1		4.378	(17.888)
1.2.2		124.983	(151.116)
1.2.3		(251.342)	(246.753)
1.2.4	VI-1	1.959	(1.419)
1.2.5		55.117	67.391
1.2.6		(4.917)	300.258
1.2.7		63.436	(64.241)
1.2.8		-	-
1.2.9	VI-1	(8.720)	(11.028)
<b>I.</b>		<b>33,766</b>	<b>(80,371)</b>
<b>Net cash provided from banking operations(+/-)</b>			
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>		<b>(39,825)</b>	<b>11,440</b>
<b>Net cash provided from investing activities(+/-)</b>			
2.1	VI-2	(3.643)	(12.793)
2.2		-	-
2.3		(10.173)	(17.966)
2.4		4.178	4.305
2.5		-	(19.216)
2.6		19.216	-
2.7		(50.112)	(41.654)
2.8		709	98.764
2.9		-	-
2.10		-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>		<b>(18,860)</b>	<b>(409)</b>
<b>Net cash provided from financing activities(+/-)</b>			
3.1		-	-
3.2		-	-
3.3		-	-
3.4		(18.653)	-
3.5		(207)	(409)
3.6		-	-
3.7		-	-
<b>IV.</b>		<b>9,209</b>	<b>(1,102)</b>
<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>			
<b>V.</b>		<b>(15,710)</b>	<b>(70,442)</b>
<b>Net increase / (decrease) in cash and cash equivalents(I+II+III)</b>			
<b>VI.</b>		<b>1,173,682</b>	<b>1,244,124</b>
<b>Cash and cash equivalents at beginning of the year(+)</b>			
<b>VII.</b>	VI-4	<b>1,157,972</b>	<b>1,173,682</b>
<b>Cash and cash equivalents at end of the year</b>			

The accompanying notes are an integral part of these statements.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)****TÜRK EKONOMİ BANKASI A.Ş.****STATEMENTS OF PROFIT APPROPRIATION FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002****(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)****VII. PROFIT APPROPRIATION TABLES**

	Current Period 31.12.2003	Prior Period 31.12.2002
<b>I. APPROPRIATION OF CURRENT YEAR INCOME</b>		
1.1. CURRENT YEAR PROFIT	80,448	45,676
1.2. TAXES AND OTHER DUTIES PAYABLE (-)	29,546	24,581
1.2.1 Corporate Tax (Income Tax)	29,546	24,581
1.2.2 Income Withholding Tax	-	-
1.2.3 Other Tax and Duties	-	-
<b>A. NET PROFIT (1.1-1.2)</b>	<b>50,902</b>	<b>21,095</b>
1.3. PRIOR YEAR INCOME/LOSS (-)	-	-
1.4. FIRST LEGAL RESERVES (-)	-	938
1.5. OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET DISTRIBUTABLE INCOME [(A-(1.3+1.4+1.5)] (*)</b>	<b>50,902</b>	<b>20,157</b>
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	-	2,795
1.6.1 To Owners of Ordinary Shares	-	2,795
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 To Owners of Privileged Shares (preemptive rights)	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.7. DIVIDENDS TO PERSONNEL (-)	-	-
1.8. DIVIDENDS TO BOARD OF DIRECTORS(-)	-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)	-	13,533
1.9.1 To Owners of Ordinary Shares	-	13,533
1.9.2 To Owners of Preferred Shares	-	-
1.9.3 To Owners of Preferred Shares (preemptive rights)	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.10. SECOND LEGAL RESERVES (-)	-	1,504
1.11. STATÜS RESERVES(-)	-	-
1.12. EXTRAORDINARY RESERVES	-	-
1.13. OTHER RESERVES	-	-
1.14. SPECIAL FUNDS	-	-
<b>II. APPROPRIATION OF RESERVES</b>	-	-
2.1. APPROPRIATED RESERVES	-	-
2.2. SECOND LEGAL RESERVES (-)	-	-
2.3. DIVIDEND TO SHAREHOLDERS (-)	-	-
2.3.1 To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Preferred Shares	-	-
2.3.3 To Owners of Preferred Shares (preemptive rights)	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders of Profit and Loss Sharing Certificates	-	-
2.4. DIVIDENDS TO PERSONNEL (-)	-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS(-)	-	-
<b>III. EARNING PER SHARE</b>		
3.1. TO OWNERS OF ORDINARY SHARES	-	191.34
3.2. TO OWNERS OF ORDINARY SHARES (%)	-	38.27
3.3. TO OWNERS OF PRIVILAGED SHARES	-	-
3.4. TO OWNERS OF PRIVILAGED SHARES (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1. TO OWNERS OF ORDINARY SHARES	-	148.10
4.2. TO OWNERS OF ORDINARY SHARES (%)	-	29.62
4.3. TO OWNERS OF PRIVILAGED SHARES	-	-
4.4. TO OWNERS OF PRIVILAGED SHARES (%)	-	-

The accompanying notes are an integral part of these statements.

(\*) As of the date of the report, the Board of Directors has not taken a decision on profit appropriation.

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003 AND 2002 (Continued)**

**(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)**

### **SECTION THREE**

#### **ACCOUNTING PRINCIPLES**

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

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

##### **Restatement of Financial Statements in the Current Purchasing Power**

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

In accordance with the Communiqué No:14, the Bank's financial statements should be restated, taking the current period equivalent purchasing power of Turkish lira into account. In other words, Communiqué No:14 states that, financial statements prepared in terms of the domestic currency of a hyperinflationary economy 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 the principles described in Communiqué No.14 using the wholesale price indices announced by the State Institute of Statistics and included as appendix to the Communiqué 14. Detailed information on the application of inflation accounting is given in Section V, footnote IX, "Footnotes and Explanations on Inflation Accounting".

##### **Other Valuation Principles**

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

There are no changes in accounting policies and valuation methods in the current period.

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

Foreign currency forward and swap transactions are evaluated by comparing the period end Bank foreign exchange rates with the forward rate discounted to the balance sheet date since the fair values of the transactions approximate their book 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.

##### **Foreign Currency Assets and Liabilities**

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

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003 AND 2002 (Continued)**

**(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)**

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

Financial assets and liabilities are offsetted when the Bank has a legally enforceable right to set 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 offsetting of financial assets and liabilities at the accompanying financial statements as of December 31, 2003.

**IV- Interest Income and Expense**

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

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

Commission income and fees for various banking services are recorded as income when collected.

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 expensed monthly basis.

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

**VI- Securities Held for Trading**

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

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

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

The repurchase agreements made with the clients are recorded in balance sheet accounts 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 are calculated using the effective interest rates for the funds obtained under repurchase agreements and are reflected to the interest and other expense accruals account in the balance sheet.

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

The income and expenses generated from above mentioned transactions 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 December 31, 2003, the Bank does not have any reverse repo transactions (2002 – None).

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

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003 AND 2002 (Continued)**

**(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)**

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

Securities held to maturity include securities with fixed or determinable payments and fixed maturity where there is intention of holding till maturity and the relevant conditions exist for funding ability till maturity. This portfolio excludes 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 at cost by converting to Turkish lira at The Bank's period end 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 have a quoted price formed in an active market and since the fair values of these securities could not be determined reliably, they are valued at amortized cost by using relevant interest rates as stated in the articles 8 and 9 of the AAR's Communiqué No:1, "Accounting Standards of Financial Instruments." The differences between the cost and the valued amounts are reflected to the income accrual accounts.

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

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

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

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

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

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

**IX- Participations**

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

**X- Subsidiaries**

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

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003 AND 2002 (Continued)**

**(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)**

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

The Bank initially records originated loans and receivables at cost, and at the following periods, in accordance with the AAR, Communiqué No:1, these loans are remeasured at amortized cost by means of effective interest rate method. 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 in the Communiqué on the Uniform Chart of Accounts and Its Explanations.

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

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

The collections made related to loans for which provision is provided in the current year are deducted from the "Provision for Loans and Other Receivables" account in the income statement. The collections made related to loans written off or for which provision was provided in prior years are recorded under "Other Operating Income" account and related interest income is recorded under the "Interest Received from Non-performing Loans" account.

Loan losses released are recorded in the "Provision and Diminishing in Value Expense – Provision Expense" account as income.

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

There is no goodwill regarding the participations and subsidiaries.

The intangible fixed assets are reflected at restated costs in accordance with inflation accounting and are 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.

The intangible fixed assets of the Bank comprise mainly softwares. The requirements of the Turkish Tax Procedural Code are taken into consideration in determining the useful lives and no other specific criteria are used. The useful lives of these assets are determined as 5 years. Softwares used are mainly developed within the Bank by the Bank's personnel, and the expenses regarding these are not capitalized. Software is purchased only in emergency cases and for special projects.

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

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003 AND 2002 (Continued)**

**(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)**

**XIII- Tangible Fixed Assets**

Buildings are reflected to the financial statements at their restated costs and if necessary reserve for impairment is provided. In accordance with the Communiqué No:14, buildings are appraised by independent real estate appraisal companies at year end. The appraisal values approximate restated costs at December 31, 2003. The straight-line method of depreciation is used for buildings and useful life is considered as 50 years.

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

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

Gain 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.

Repairment costs of the tangible fixed assets are capitalized if they extend the economic useful life of the related asset. Other repairment costs are expensed. There are no pledge, mortgage or other restrictions on the tangible fixed assets.

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

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

**XIV- Leasing Transactions**

Leasing of fixed assets are recorded in accordance with AAR, Article 7 of the Communiqué No:4. "Accounting Standard for Leasing Transactions." In accordance with the above-mentioned article, the leasing transactions, which consist only foreign currency liabilities, are translated to Turkish lira with the exchange rates effective at the transaction dates and they are recorded both as an asset and a liability. The foreign currency liabilities are translated to Turkish lira with the Bank's period end exchange rate. The increases/decreases resulting from the differences in the foreign exchange rates are recorded as expense/income in the relevant period. Lease 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 the interest expense, the Bank provides depreciation expense for the leased assets in each period. The depreciation rate is determined in accordance with "Accounting Standard for Tangible Fixed Assets" and the depreciation rate used is 20%.

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

The Bank does not have any leasing transactions as lessor.

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003 AND 2002 (Continued)**

**(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)**

**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 past events are recorded by the Bank immediately at the estimated amounts as a provision.

**XVI- Liabilities Regarding Employee Benefits**

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

The Bank has no employees contracted for determined periods.

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

The Bank employees are members of "Tebliğler Foundation". The Bank does not have any liability to this foundation.

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

**XVII- Taxation**

***Corporate tax***

The corporation tax rate for the fiscal year ended December 31, 2002 was 30% plus an additional 10% fund levy, giving an effective tax rate of 33%. A 19.8% withholding tax was applied to investment deductions which were exempt from corporation tax. Until April 24, 2003, where distributions had been made in respect of 2002 and prior years, withholding taxes of 5.5% and 16.5% (both including the additional 10% fund levy) applied to distributions made by either public or private corporations, respectively. This withholding tax only applied to amounts distributed that had been subject to corporation tax.

Law No. 4842, effective from April 24, 2003, abolished the 10% fund levy. Beginning with 2003, the effective corporation tax rate reverted to 30%. However, with Law No. 5035 published at January 2, 2004, only for the year 2004 the corporation tax will be calculated at 33%.

Effective from April 24, 2003, income from 2002 and prior years will not be subject to withholding taxes if it is undistributed, is transferred to share capital or is distributed to resident tax-paying corporations. Where profits are distributed to resident taxpaying real persons, to those who are exempt from income and corporate tax, to those who are not income or corporation tax payers, to non-resident corporations, to non-resident real persons and to those who are exempt from income tax, a 10% withholding tax is applied. However profit distributions up to December 31, 2003 shall be subject to an effective tax rate of 11% due the continuation of the fund levy until that date. On the other hand, profit distributions on income from 2002 and prior years which had been exempt from corporation tax and income, which had been subject to 19.8% withholding tax due to investment incentive certificates obtained based on applications made prior to April 24, 2003, will not be subject to withholding tax.

The tax legislation provides for a temporary tax of 30% (25% before April 24, 2003) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final tax liability for the year. However, in accordance with Law No. 5035, effective from January 2, 2004, temporary taxes for the year 2004 will be calculated and paid at the rate of 33%.

Tax returns are required to be filed until the fifteenth of the fourth month following the balance sheet date and paid in one installment until the end of the fourth month (2002- 3 installments).

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003 AND 2002 (Continued)**

**(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)**

In 2003 and prior years corporation tax is computed on the statutory income tax base determined in accordance with the Procedural Tax Code without any adjustment for inflation accounting. With Law No. 5024 published on December 30, 2003 related with changes in Procedural Tax Code, Income Tax Law and Corporation Tax Law, starting from January 1, 2004, taxable income will be derived from the financial statements which are adjusted for inflation accounting. Accumulated earnings arising from the first application of inflation accounting on December 31, 2003 balance sheet will not be subject to corporation tax, and similarly accumulated deficits arising from such application will not be deductible for tax purposes. Moreover, accumulated tax loss carry forwards related with 2003 and prior periods will be utilized at their historical (nominal) values in 2004 and future years .

Tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

***Deferred tax***

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

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

**XVIII- Additional Explanations on Borrowings**

There are no debt securities issued by the Bank.

The Bank has not issued convertible bonds.

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

The Bank does not have any costs related to share issue as of December 31, 2003. In the General Assembly meeting of the Bank, dated March 27, 2003, it was decided that the profit for the year 2002 will be distributed to the shareholders after providing the legal reserves, which will amount to 276 (Nominal full TL) of dividend for every 1,000 TL nominal shares owned by each shareholder. The payment of dividends to the shareholders were realized in 2003.

**XX- Acceptances**

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

There are no acceptances presented as liabilities against any assets.

**XXI- Government Incentives**

There are no government incentives utilized by the Bank.

**XXII- Securities at Custody**

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

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

**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 become effective from January 1, 2004.

**XXV- Other Matters**

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

The accounting principles used in the preparation of the financial statements differ from International Financial Reporting Standards (IFRS) and so far as such differences apply to the financial statements of the Bank they relate mainly, but not limited, to the format of financial statements and disclosure requirements, accounting for deferred taxes and reserve for retirement pay liabilities. The effects of the differences between these accounting principles and the accounting principles generally accepted in the countries in which the accompanying financial statements are to be used and IFRS have not been quantified in the financial statements.

There are no other matters required to be disclosed.

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

## **SECTION FOUR**

### **INFORMATION ON FINANCIAL STRUCTURE**

#### **I- Strategy for the Use of Financial Instruments and Explanation Regarding the Foreign Currency Transactions**

The Bank aims to develop and market products concerning the needs of all kind of clients including small and medium sized companies, big sized companies or private investors, in accordance with Banking Regulations. While fulfilling the clients needs, the Bank's first priority is to maintain liquidity. Therefore, approximately 50% of the financial sources created are invested in liquid products. These investments are made with ultimate care at maturity management and aiming the maximum income possible under these conditions.

While conducting asset and liability management, the Bank aims to generate a positive margin between the financing cost and product income and to prevent maturity mismatch.

As a part of the Bank's risk management strategy, any kind of risk creating position exceeding the limits given by the Board of Directors for the treasury operations resulting from short-term exchange rate, interest and price movements are tried to be prevented. The Bank's asset and liability management committee, principally aims to prevent maturity mismatch and to work with positive balance sheet margin while determining the short-term, middle and long-term price strategies.

Among the operations of the Bank, the main activity generating profits over the expected average yield are marketable securities transactions.

Board of Directors permits the risks taken at the money, capital and commodity markets as treasury transactions, and the risk taken is controlled by the product-based limits set by the Board of Directors.

The strategies for hedging exchange rate risk generated from the Bank's foreign currency available for sale capital instruments are explained in Exchange Rate Risk section and the applications regarding the hedging of interest rate risk generated from deposits with fixed or floating interest rates are explained at Interest Rate Risk section in detail.

When the asset and liability committee of the Bank decides to invest in available for sale capital instruments denominated in foreign currency, which are suitable for the structure of the balance sheet, the committee also approves making swaps, foreign currency futures and similar derivative instruments in order to be able to hedge the changes in interest and exchange rates.

Banking operations generating exchange rate risk are not permitted except for treasury transactions and the risk is hedged by making forward transactions.

The hedging of foreign currency investments in foreign entities are established by spot and foreign currency forward transactions similar to other foreign currency transactions, in accordance with the Bank's general strategy to hedge foreign currency positions within legal limitations.

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

The method used for risk measurement for capital adequacy standard ratio is determined in accordance with the Communiqué on "Measurement and Assessment of Banks Capital Adequacies ", which was published on January 31, 2002 in the Official Gazette numbered 24657. As of December 31, 2003, the Bank's capital adequacy ratio is % 14.88 (2002 - %15.40).

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

While calculating the basis of non-cash loans subject to credit risk, 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.

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

	<b>Risk Weight</b>			
	0%	20%	50%	100%
<b>Risk Weighted Assets, Liabilities and Non-Cash Loans</b>				
Balance Sheet items (Net)	1,235.278	173.796	80.735	1.077.189
Cash	65.670	-	-	-
Due from banks	514.016	173.630	-	2.065
Interbank money market placements	431.091	-	-	-
Receivables from reverse repo transactions	-	-	-	-
Reserve deposits	147.928	-	-	-
Special finance houses	-	-	-	-
Loans	51.895	-	69.454	1.038.010
Loans under follow-up (Net)	-	-	-	8.471
Subsidiaries, associates and investments held to maturity	-	-	-	-
Miscellaneous receivables	-	-	-	376
Marketable securities held to maturity (Net)	1.743	-	-	-
Advances for assets acquired by financial leasing	-	-	-	-
Financial lease receivables	-	-	-	-
Leased assets (Net)	-	-	11.281	-
Fixed assets (Net)	-	-	-	18.720
Other assets	22.935	166	-	9.547
Off balance sheet items	299.735	467.799	253.131	42.544
Guarantees and pledges	18.145	460.198	76.944	26.252
Commitments	278.799	-	176.187	-
Other off balance sheet items	-	-	-	-
Transactions related with derivative financial instruments	-	-	-	4.011
Interest and income accruals	2.791	7.601	-	12.281
Non risk weighted accounts	-	-	-	-
	1,535.013	641.595	333.866	1.119.733
<b>Total Risk Weighted Assets</b>	-	128.319	166.933	1.119.733

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)****TÜRK EKONOMİ BANKASI A.Ş.****NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003 AND 2002 (Continued)****(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)****Summary information related to the capital adequacy ratio:**

	Current Period	Prior Period
Total Risk Weighted Assets	1,439.691	1,256.545
Shareholders' Equity	214.223	193.493
Shareholders' Equity / Total risk weighted assets (CAR (%))	14.88	15.40

(\*) As of December 31, 2003 the amount includes TL 24,706 (2002 - TL 22,418) of market risk amount.

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

	Current Period	Prior Period
<b>MAIN CAPITAL</b>		
Paid-in Capital	55.125	55.125
Nominal capital	55.125	55.125
Capital commitments (-)	-	-
Effect on Inflation Accounting on Share Capital	214.998	214.998
Share Premium	-	-
Legal Reserves	2.442	-
First legal reserve (Turkish Commercial Code 466/1)	938	-
Second legal reserve (Turkish Commercial Code 466/2)	1.504	-
Other legal reserve per special legislation	-	-
Statute Reserves	-	-
Extraordinary reserves	-	-
Reserves allocated by the General Assembly	-	-
Retained earnings	-	-
Accumulated loss	-	-
Foreign currency share capital exchange difference	-	-
Profit	53.227	21.095
Current period profit	50.902	21.095
Prior period profit	2.325	-
Loss (-)	-	-
Current period loss	-	-
Prior period loss	-	-
<b>Total Main Capital</b>	325.792	291.218
<b>SUPPLEMENTARY CAPITAL</b>		
Revaluation Fund	584	-
Furniture, fixture and vehicles	-	-
Buildings	-	-
Profit on sale of associates, subsidiaries and buildings to be transferred to share capital	584	-
Revaluation fund of leasehold improvement	-	-
Increase in the Value of Revaluation Fund	-	-
Foreign Exchange Differences	-	-
General Reserves	7.886	6.942
Provisions for Possible Losses	-	-
Subordinated Loans	20.899	28.025
Marketable Securities and Investment Securities Value Increase Fund	111	229
Associates and subsidiaries	111	229
Available for sale securities	-	-
Structured positions	-	-
<b>Total Supplementary Capital</b>	29.480	35.196
<b>TIER III CAPITAL</b>		
<b>CAPITAL</b>	355.272	326.414
<b>DEDUCTIONS FROM THE CAPITAL</b>	141.049	132.921
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	131.234	121.708
Leasehold improvements	6.663	7.270
Start-up costs	-	-
Prepaid expenses	3.152	3.943
The negative difference between the market values and the carrying amounts for unconsolidated investments, subsidiaries, other investments and fixed assets	-	-
Subordinated loans given to other banks which operate in Turkey	-	-
Goodwill (Net)	-	-
Capitalized expenses	-	-
<b>Total Shareholder's Equity</b>	<b>214,223</b>	<b>193,493</b>

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003 AND 2002 (Continued)**

**(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)**

### **III- Credit Risk**

Credit risk represents the risks generating from the counter party's not fulfilling its responsibilities stated in the agreement either partially or totally.

Sectoral risk limitations are imposed on debtors individually or as a group in accordance with the credit risk, but risk limitations are not imposed according to geographical regions. The rating of the firms, credit limit and guarantee acceptance processes are taken into consideration all together in accordance with conservative lending policies applied by the Loan Lending and Risk Follow up Group, and, accordingly the follow up of credit risk is established.

The risks and limits generated from treasury and client based commercial transactions are followed up daily. Additionally, the control of the limits of the correspondent banks is determined by their ratings and the control of the accept risk level according to the Bank's equity are performed daily. Risk limits are determined for the transactions taking place daily and the risk concentration of the off-balance sheet transactions are followed up by the system.

The credibility of the debtors of the Bank is assessed periodically 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." Majority of the financial statements obtained from the borrowers are audited. The sole reason for accepting unaudited financials, is the timing differences between the lending of the money and the audit period of the borrowers. The unaudited financials are replaced with the audited statements when they become available. The loan limits are determined based on the audited financials and the guarantees are determined by the loan committee according to the borrowers' financial structure and the quality of the transactions.

Transaction limits for the forward and other similar agreement positions held by the Bank is determined by the Board of Directors and transactions take place within these limits.

The fulfillment of liabilities in the forward agreements are only possible at the maturity of the agreement. However, in order to be able to minimize the risk, reverse positions of the present positions are taken from the market and by means of that the risk is closed.

Indemnified non-cash loans are weighted in the same risk group with the non-performing loans.

Since the volume of the restructured loans is not material to the financial statements, no other follow up methodology is developed in addition to these stated in the regulations.

Foreign country and institution risks of the Bank are generally determined for foreign countries and institutions, which are considered at the investment level and carrying minimum level of default risk by the international rating companies. Accordingly, the possible risks that may occur are minor risks when the financial structure of the Bank is considered.

The Bank does not hold a major credit risk when compared to other financial institutions together with their financial activities as an active participant at the international banking market.

As of December 31, 2003, the total loan balance of the top 100 cash loan clients of the Bank is TL 452,321 (2002- TL 468,110) and the percentage to the total loan portfolio is 39.01% (2002- 51.55 %).

As of December 31, 2003, the total balance of the top 100 non-cash loan clients of the Bank is TL 413,722 (2001- TL 475,604) and the percentage to the total non-cash loan portfolio is 37.96% (2002- 51.66 %).

As of December 31, 2003, the percentage of the total cash and non-cash loans balances of the top 100 clients to the total of assets and off-balance sheet items is 28.38% (2002- 26.04 %).

As of December 31,2003, general provision for loans amounts to TL 7,886 (2002 - TL 6,942).

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

Information according to geographical concentration:

	Assets	Liabilities	Non-Cash Loans	Capital Investments	Net Profit/Loss
<b>Current Period</b>					
Domestic	2,550,856	2,031,757	1,028,200	77,719	50,902
European Union Countries	58,973	147,467	3,621	53,515	-
OECD Countries (*)	2,766	24,516	-	-	-
Off-shore Banking Regions	1,972	153,828	1,406	-	-
USA, Canada	66,881	117,269	39	-	-
Other Countries	36,297	47,655	56,714	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-
<b>Total</b>	<b>2,717,745</b>	<b>2,522,492</b>	<b>1,089,980</b>	<b>131,234</b>	<b>50,902</b>
<b>Prior Period</b>					
Domestic	2,349,971	2,083,219	905,920	71,861	21,095
European Union Countries	157,963	106,664	13,312	49,847	-
OECD Countries (*)	9,748	16,287	-	-	-
Off-shore Banking Regions	640	44,897	-	-	-
USA, Canada	63,554	127,412	-	-	-
Other Countries	475	34,133	1,317	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-
<b>Total</b>	<b>2,582,351</b>	<b>2,412,612</b>	<b>920,549</b>	<b>121,708</b>	<b>21,095</b>

(\*) OECD Countries other than EU countries, USA and Canada

(\*\*) Unallocated assets / liabilities which could not be distributed according to a consistent criteria.

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

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	13,524	2.67	30,802	4.72	8,085	2.02	18,100	3.56
Farming and raising livestock	9,522	1.88	26,965	4.13	2,947	0.74	328	0.06
Forestry	4,002	0.79	3,361	0.52	5,084	1.27	17,772	3.50
Fishing	-	-	476	0.07	54	0.01	-	-
Manufacturing	341,738	67.38	519,526	79.66	215,409	53.85	309,118	60.85
Mining	20,090	3.96	5,077	0.78	22,524	5.63	39,866	7.85
Production	316,431	62.39	514,316	78.86	192,572	48.14	269,252	53.00
Electric, gas and water	5,217	1.03	133	0.02	313	0.08	-	-
Construction	13,286	2.62	5,405	0.83	10,409	2.60	1,519	0.30
Services	83,523	16.47	88,029	13.50	131,817	32.95	167,903	33.06
Wholesale and retail trade	39,693	7.83	27,600	4.23	45,089	11.27	115,590	22.75
Hotel, food and beverage services	2,833	0.56	606	0.09	1,702	0.42	-	-
Transportation and telecommunication	13,235	2.61	9,317	1.43	10,761	2.69	6,061	1.20
Financial institutions	19,141	3.77	48,341	7.41	65,605	16.40	46,057	9.07
Real estate and renting services	4,480	0.88	1,921	0.29	79	0.02	-	-
Self-employment services	1,296	0.26	86	0.01	3,834	0.96	195	0.04
Education services	292	0.06	158	0.02	709	0.18	-	-
Health and social services	2,553	0.50	-	-	4,038	1.01	-	-
Others	55,081	10.86	8,445	1.29	34,320	8.58	11,337	2.23
<b>Total</b>	<b>507.152</b>	<b>100.00</b>	<b>652.207</b>	<b>100.00</b>	<b>400.040</b>	<b>100.00</b>	<b>507.977</b>	<b>100.00</b>

**IV- Market Risk**

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

The Board of Directors evaluates basic risks than can be exposed to and determines limits accordingly. Those limits are revised periodically in line with the strategies of the Bank. Additionally, the Board of Directors has ensured that the risk management group and senior management has taken necessary precautions to describe, evaluate, control and manage risks faced by the Bank.

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

	Amount
Capital to be employed for interest rate risk – standard method	243
Capital to be employed for general market risk	243
Capital to be employed for specific risk	-
Capital to be employed for options subject to interest rate risk	-
Capital to be employed for common stock position risk – Standard method	-
Capital to be employed for general market risk	-
Capital to be employed for specific risk	-
Capital to be employed for options subject to common stock position risk	-
Capital to be employed for currency risk – Standard method	1,733
Capital liability	1,733
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	1,976
Amount subject to market risk	24,706

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

Foreign currency risk indicates the possibility of the potential losses that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration and is calculated by using the standart metod.

The Board of Directors sets limits for the positions, which are followed up daily. Also any possible changes in Bank's positions are monitored.

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

The Board of Directors of the Bank determines the short position limits that the Bank can hold in accordance with the current 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 monitoring of risk and risk related transactions occurring in the money markets is performed daily and reported to the Bank's Asset-Liability Committee.

As of December 31, 2003, the Bank's net short position is TL 18,761 (2002- TL 746) resulting from short position amounting to TL 31,835 (2002- TL 42,570) on the balance sheet and long position amounting to TL 13,074 (2002- TL 41,824) on the off-balance sheet.

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

	24/12/03	25/12/03	26/12/03	29/12/03	30/12/03	31/12/03
<b>USD</b>	1.420.989	1.412.533	1.407.555	1.407.678	1.395.835	1.393.278
<b>CHF</b>	1.129.003	1.129.656	1.126.035	1.124.781	1.116.749	1.125.526
<b>GBP</b>	2.509.310	2.504.968	2.494.171	2.497.342	2.476.610	2.485.862
<b>JPY</b>	13.214	13.147	13.129	13.137	13.026	13.005
<b>EUR</b>	1.763.448	1.759.028	1.752.688	1.757.204	1.745.072	1.757.480

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

	Monthly Average FX Rates
<b>USD</b>	1.426.420
<b>CHF</b>	1.125.890
<b>GBP</b>	2.496.604
<b>JPY</b>	13.211
<b>EUR</b>	1.753.533

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)****TÜRK EKONOMİ BANKASI A.Ş.****NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003 AND 2002 (Continued)****(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)****Information on the foreign currency risk of the Bank:**

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>YEN</b>	<b>OTHER FC</b>	<b>TOTAL</b>
<b>Assets</b>					
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	39,508	605,603	44	2,128	647,283
Due from other banks and financial institutions	24,429	154,369	58	21,404	200,260
Trading securities	431	1,829	-	407	2,667
Investment securities available-for-sale	-	-	-	-	-
Loans (**)	260,810	470,702	-	18,146	749,658
Investments in subsidiaries and participations	53,515	-	-	-	53,515
Investment securities held-to-maturity	-	-	-	-	-
Property and equipment	-	-	-	-	-
Goodwill	-	-	-	-	-
Other assets	1,778	5,177	-	250	7,205
<b>Total Assets</b>	<b>380,471</b>	<b>1,237,680</b>	<b>102</b>	<b>42,335</b>	<b>1,660,588</b>
<b>Liabilities</b>					
Bank deposits	3,492	15,211	12	43,490	62,205
Foreign currency deposits (*)	270,652	938,371	1,810	46,751	1,257,584
Funds provided from other financial institutions	30,350	313,030	-	1,554	344,934
Marketable securities issued	-	-	-	-	-
Miscellaneous payables	5,414	4,843	-	5	10,262
Other liabilities	4,443	12,208	-	787	17,438
<b>Total liabilities</b>	<b>314,351</b>	<b>1,283,663</b>	<b>1,822</b>	<b>92,587</b>	<b>1,692,423</b>
Net Balance Sheet Position	66,120	(45,983)	(1,720)	(50,252)	(31,835)
Net Off-Balance Sheet Position	(64,390)	25,273	1,709	50,482	13,074
Financial derivative assets	102,562	171,544	1,709	66,148	341,963
Financial derivative liabilities	166,952	146,271	-	15,666	328,889
Non-cash loans(****)	200,890	476,661	9,954	25,994	713,499
<b>Prior Period</b>					
Total Assets	405,210	1,310,351	21,120	97,124	1,833,805
Total Liabilities	302,924	1,486,364	231	86,856	1,876,375
Net Balance Sheet Position	102,286	(176,013)	20,889	10,268	(42,570)
Net Off-Balance Sheet Position	(101,188)	172,426	(20,604)	(8,810)	41,824
Non-cash loans(****)	188,478	400,563	7,621	25,466	622,118

(\*) Gold account deposits amounting to TL 14,718 (2002 – TL 25,585) are included in the foreign currency deposits.

(\*\*) Foreign currency indexed loans amounting to TL 97,451 (2002 – TL 91,616) are included in the loan portfolio.

(\*\*\*) In the prior period, foreign currency indexed government bonds and treasury bills amounting to TL 249 are included in the trading portfolio.

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

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

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Bank's position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk.

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

The estimations on interest income are performed in connection with economic indicators used in the budget of the Bank. The negative effects of the fluctuations in the market interest rates on the financial position and the cash flows are minimized by revising budget targets.

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

Since the Bank does not permit maturity mismatches or imposes limits on the mismatch, it is not expected for the Bank to be exposed to a significant interest rate risk.

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

	Up to 1 Months	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non-Interest Bearing	Total
<b>Current Period</b>							
<b>Assets</b>							
Cash (cash, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	661,944	-	-	-	-	65,836	727,780
Due from banks and other financial institutions	591,286	3,000	8,000	4,500	-	-	606,786
Trading securities	23,141	983	764	552	2,010	-	27,450
Securities available-for-sale	-	-	-	-	-	9	9
Loans	435,759	276,751	211,072	143,633	92,144	-	1,159,359
Securities held-to-maturity	44,872	36,350	4,578	-	-	-	85,800
Other assets	-	-	-	-	-	241,795	241,795
<b>Total Assets</b>	<b>1,757,002</b>	<b>317,084</b>	<b>224,414</b>	<b>148,685</b>	<b>94,154</b>	<b>307,640</b>	<b>2,848,979</b>
<b>Liabilities</b>							
Bank deposits	69,637	42,574	7,208	4,000	-	-	123,419
Other deposits	1,531,101	170,259	74,338	74,376	4,028	-	1,854,102
Miscellaneous payables	-	-	-	-	-	24,491	24,491
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	216,805	35,998	98,537	32,708	-	-	384,048
Other liabilities	15,458	374	400	618	3,471	442,598	462,919
<b>Total Liabilities</b>	<b>1,833,001</b>	<b>249,205</b>	<b>180,483</b>	<b>111,702</b>	<b>7,499</b>	<b>467,089</b>	<b>2,848,979</b>
Balance Sheet Interest Sensitivity Gap	(75,999)	67,879	43,931	36,983	86,655	(159,449)	-
Off Balance Sheet Interest Sensitivity Gap	-	-	(54)	-	-	-	(54)
<b>Total Interest Sensitivity Gap</b>	<b>(75,999)</b>	<b>67,879</b>	<b>43,877</b>	<b>36,983</b>	<b>86,655</b>	<b>(159,449)</b>	<b>(54)</b>

The other asset line at the non-interest bearing column consists of TL 36,351 of tangible fixed assets, TL 3,396 of intangible fixed assets, TL 29,416 of accrued interest and income receivables, TL 9,775 of participations and TL 121,459 of subsidiaries and the other liability line consists of equity total amounting to TL 326,487.

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

	Up to 1 Month	1-3 Month	3-6 Months	6-12 Months	1 Year and Over	Non-Interest Bearing	Total
<b>Prior Period</b>							
<b>Assets</b>							
Cash (cash, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	540,887	-	-	-	-	99,033	639,920
Due from banks and other financial institutions	737,672	12,535	9,114	2,919	-	73,197	835,437
Trading securities	2,880	14,420	7,075	6,705	438	310	31,828
Investment securities available-for-sale	-	19,206	-	-	-	10	19,216
Loans	372,751	183,319	243,609	61,402	46,936	-	908,017
Investment securities held-to-maturity	236	41,418	-	-	-	-	41,654
Other assets	-	-	-	-	-	227,987	227,987
<b>Total Assets</b>	<b>1,654,426</b>	<b>270,898</b>	<b>259,798</b>	<b>71,026</b>	<b>47,374</b>	<b>400,537</b>	<b>2,704,059</b>
<b>Liabilities</b>							
Banks deposits	66,976	186	1,140	-	-	-	68,302
Other deposits	1,695,117	135,924	11,743	15,785	450	-	1,859,019
Miscellaneous payables	-	-	-	-	-	40,435	40,435
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	4,649	209,216	20,208	93,665	-	-	327,738
Other liabilities	125	397	641	1,074	5,452	400,876	408,565
<b>Total Liabilities</b>	<b>1,766,867</b>	<b>345,723</b>	<b>33,732</b>	<b>110,524</b>	<b>5,902</b>	<b>441,311</b>	<b>2,704,059</b>
On Balance Sheet Interest Sensitivity Gap	(112,441)	(74,825)	226,066	(39,498)	41,472	(40,774)	-
Off Balance Sheet Interest Sensitivity Gap	-	-	-	-	-	-	-
<b>Total Interest Sensitivity Gap</b>	<b>(112,441)</b>	<b>(74,825)</b>	<b>226,066</b>	<b>(39,498)</b>	<b>41,472</b>	<b>(40,774)</b>	<b>-</b>

The other asset line at the non-interest bearing column consists of TL 42,426 of tangible fixed assets, TL 3,376 of intangible fixed assets, TL 31,254 of accrued interest and income receivables, TL 6,430 of participations and TL 115,278 of subsidiaries and the other liability line consists of equity total amounting to TL 291,447.

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

	EURO %	USD %	Yen %	TL %
<b>Current Period</b>				
<b>Assets</b>				
Cash (cash, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	0.80	0.43	-	16.00
Due from banks and other financial institutions	2.49	0.86	-	27.39
Trading securities	5.80	6.80	-	26.22
Securities available-for-sale	-	-	-	-
Loans	6.02	5.32	-	32.74
Securities held-to-maturity	-	-	-	33.36
<b>Liabilities</b>				
Bank deposits	3.00	2.50	-	28.79
Other deposits	3.13	2.64	-	28.25
Miscellaneous payables	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	4.23	2.78	-	26.06

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

## VII- Liquidity Risk

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows completely and timely.

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

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

According to the general policies of the Bank, the matching of the maturity and interest rate structure of assets, and liabilities is always established within the asset liability management strategies. A positive difference is tried to be established between the yields of TL and foreign currency assets and liabilities at the balance sheet and their costs. According to this strategy, the Bank pays special attention not to take maturity risk, and no banking service is marketed when the price is lower than the financing cost.

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

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

Current Period	Demand (*)	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Total (**)
<b>Assets</b>						
Cash (. foreign currency cash, money in transit, cheques purchased) and Balances with the Central Bank of Turkey	727.780	-	-	-	-	727.780
Due from banks and other financial institutions	591.286	3.000	8.000	4.500	-	606.786
Trading securities	905	307	764	1.155	24.319	27.450
Securities available-for-sale	-	-	-	-	9	9
Loans	435.759	276.751	211.072	143.633	92.144	1.159.359
Securities held-to-maturity	1.743	36.350	4.578	-	43.129	85.800
Other assets	43.617	5.257	2.466	2.901	3.925	241.795
<b>Total Assets</b>	<b>1,801,090</b>	<b>321,665</b>	<b>226,880</b>	<b>152,189</b>	<b>163,526</b>	<b>2,848,979</b>
<b>Liabilities</b>						
Bank deposits	69.637	42.574	7.208	4.000	-	123.419
Other deposits	1,531.100	170.259	74.339	74.376	4.028	1,854.102
Funds provided from other financial institutions	42.645	35.998	43.953	206.868	54.584	384.048
Marketable securities issued	-	-	-	-	-	-
Miscellaneous payables	24.491	-	-	-	-	24.491
Other liabilities	72.653	9.198	6.330	3.802	5.042	462.919
<b>Total Liabilities</b>	<b>1,740,526</b>	<b>258,029</b>	<b>131,830</b>	<b>289,046</b>	<b>63,654</b>	<b>2,848,979</b>
<b>Net Liquidity Gap</b>	<b>60.564</b>	<b>63.636</b>	<b>95.050</b>	<b>(136.857)</b>	<b>99.872</b>	<b>-</b>
<b>Prior Period</b>						
<b>Total Assets</b>	<b>1,837.403</b>	<b>223.554</b>	<b>277.053</b>	<b>79.900</b>	<b>108.414</b>	<b>2,704,059</b>
<b>Total Liabilities</b>	<b>1,908.540</b>	<b>164.311</b>	<b>58.458</b>	<b>204.703</b>	<b>368.047</b>	<b>2,704,059</b>
<b>Net Liquidity Gap</b>	<b>(71,137)</b>	<b>59.243</b>	<b>218.595</b>	<b>(124.803)</b>	<b>(259,633)</b>	<b>-</b>

(\*) The maturity of up to 1 month of Interbank funds sold amounting to TL 431.091, loans amounting to TL 435.761, and domestic and foreign banks placements amounting to TL 82.551 are shown in the demand column. Furthermore, demand deposits amounting to TL 1.531.104 are included in the other deposits and shown at the demand column.

(\*\*) In the total column of other assets, TL 170.981 of TL 183.629 consists of subsidiaries and participations, tangible assets, intangible fixed assets, and the remaining part includes prepaid expenses, loans under follow-up (net of specific provisions), assets held for resale and office supply inventory that are not taken into consideration at the maturity distribution. Other liabilities which matures up to 1 year and over includes shareholders' equity amounting to TL 326.487.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)****TÜRK EKONOMİ BANKASI A.Ş.****NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003 AND 2002 (Continued)****(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)****VIII- Fair Value of Financial Assets and Liabilities:**

The table below presents fair values and book values of financial assets and liabilities which are not reflected at their fair values in the financial statements.

Securities held for investment purposes at the current period consists of interest bearing held to maturity assets. The fair value of the held to maturity assets are determined based on the market value or if the market value cannot be determined, the fair values are determined based on the presented market prices of the other marketable securities which are similar in interest rates, maturities and other conditions.

The fair values of the demand deposits, floating rate placements and overnight deposits are considered to be the book values due to short maturities. The approximate fair value of the deposits with fixed rates and funds collected from other financial institutions are determined by calculating discounted cash flows by making use of the money market interest rates used for other liabilities with similar quality and maturities. The fair value is presented by the book value of the other payables due to short maturity.

	Book Value (*)		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	<b>701,925</b>	<b>903,103</b>	<b>701,588</b>	<b>901,682</b>
Due from banks and other financial institutions	614,520	841,076	614,520	841,076
Securities available-for-sale	9	19,623	9	19,623
Securities held-to-maturity	86,148	41,954	87,059	40,983
Financial Liabilities	<b>2,418,523</b>	<b>2,332,103</b>	<b>2,415,362</b>	<b>2,331,441</b>
Bank deposits	125,420	68,533	125,220	68,522
Other deposits	1,865,077	1,865,915	1,862,116	1,865,312
Funds provided from other financial institutions (**)	403,535	357,220	403,535	357,172
Marketable securities issued	-	-	-	-
Miscellaneous payables	24,491	40,435	24,491	40,435

(\*) Book values include interest accruals as of related period ends.

(\*\*) Funds provided under repurchase agreements are included in funds provided from other financial institutions.

**IX. Transactions Made in the Name and Account of the Third Parties, Fiduciary Transactions**

The Bank makes purchases from adjudications in the account of the clients, and gives keeping, management and consultancy services.

The bank has no fiduciary transactions.

**X. Operating Segments**

The Bank operates in private banking services, private client current accounts, deposit accounts, products enabling long term investments, exchange and keeping services, loan and atm cards, consumer loans and long term housing loans and at other private banking service areas.

As corporate banking services, corporate banking operations including products like, automated transfer services, current accounts, deposit accounts, open loan transactions, lending and other loan services, future and option agreements and other similar agreements are serviced to meet the needs and expectations of the domestic and foreign companies with relatively higher gross incomes.

The Bank does not operate in investment banking, corporate finance and information technology sector.

Segment reporting will begin as of January 1, 2004.

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

TÜRK EKONOMİ BANKASI A.Ş.

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

(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

## SECTION FIVE

### EXPLANATIONS AND FOOTNOTES ON FINANCIAL STATEMENTS

#### I- Footnotes and Explanations Related to Assets

##### 1. Information on accounts with the Central Bank of Turkey:

	Current Period	Prior Period
Demand Unrestricted Amount	54,021	16,862
Time Unrestricted Amount	459,995	373,728
<b>Total</b>	<b>514,016</b>	<b>390,590</b>

##### 2. Additional information about trading portfolio:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	15,193	-	19,058	-
Treasury bills	-	-	6,461	-
Other debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>15,193</b>	<b>-</b>	<b>25,519</b>	<b>-</b>

##### 3. Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union countries	44,631	155,397	-	-
USA and Canada	31,274	60,523	-	-
OECD Countries (*)	2,166	9,387	-	-
Off-shore banking regions	1,972	640	-	-
Other	94	155	-	-
<b>Total</b>	<b>80,137</b>	<b>226,102</b>	<b>-</b>	<b>-</b>

(\*) OECD countries other than European Union countries, USA and Canada

##### 4. Information on reverse repurchase agreements: None

##### 5. Information on available for sale portfolio:

- a) Main types of available for sale securities: Share certificates (2002- Public sector debt securities, other marketable securities and share certificates.)

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

TÜRK EKONOMİ BANKASI A.Ş.

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

(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

b) Information on available for sale portfolio:

	Current Period	Prior Period
Debt securities	-	19,206
Quoted in a stock exchange	-	-
Not quoted	-	19,206
Share certificates	9	10
Quoted in a stock exchange	-	-
Not quoted	9	10
Provision for impairment (-)	-	-
<b>Total</b>	<b>9</b>	<b>19,216</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.

**6. 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	706	1,346	678	7,668
Corporate shareholders	706	1,346	678	7,668
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	948	-	858	-
<b>Total</b>	<b>1,654</b>	<b>1,346</b>	<b>1,536</b>	<b>7,668</b>

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

Cash Loans	Loans and Other Receivables Under Close Monitoring			
	Standard Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Non-specialized loans	1,154,752	-	552	4,055
Discount notes	23,601	-	-	-
Export loans	551,504	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	47,770	-	-	-
International loans	29,552	-	-	-
Consumer loans	38,165	-	-	-
Credit cards	18,203	-	-	-
Precious metals loans	13,394	-	541	-
Other	432,563	-	11	4,055
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>1,154,752</b>	<b>-</b>	<b>552</b>	<b>4,055</b>

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

c) Loans according to their maturity structure :

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
Short-term loans	1,046,250	-	552	1,326
Non-specialized loans	1,046,250	-	552	1,326
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long-term loans	108,502	-	-	2,729
Non-specialized loans	108,502	-	-	2,729
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>1,154,752</b>	<b>-</b>	<b>552</b>	<b>4,055</b>

d) Information on consumer loans :

	Medium and Long Term		Total	Interest Income Accrual
	Short Term	Term		
<b>Consumer loans-TL</b>	12,979	11,186	24,165	749
Real estate loans	339	1,561	1,900	41
Automotive loans	2,716	7,505	10,221	182
Consumer loans	-	-	-	-
Personnel loans	712	236	948	34
Other consumer loans	9,212	1,884	11,096	492
<b>Consumer loans- Indexed to FC</b>	14,000	-	14,000	81
Real estate loans	2,709	-	2,709	12
Automotive loans	10,517	-	10,517	57
Consumer loans	774	-	774	12
Personnel loan	-	-	-	-
Other consumer loans	-	-	-	-
<b>Credit cards</b>	18,203	-	18,203	159
<b>Total Consumer Loans</b>	<b>45,182</b>	<b>11,186</b>	<b>56,368</b>	<b>989</b>

e) Loans according to type of borrowers :

	Current Period	Prior Period
Public	6	9,349
Private	1,159,353	898,668
<b>Total</b>	<b>1,159,359</b>	<b>908,017</b>

f) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	1,129,807	893,336
Foreign loans	29,552	14,681
<b>Total</b>	<b>1,159,359</b>	<b>908,017</b>

g) Loans granted to subsidiaries and investments:

	Current Period	Prior Period
Direct loans granted to subsidiaries and investments	118	210
Indirect loans granted to subsidiaries and investments	-	-
<b>Total</b>	<b>118</b>	<b>210</b>

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

h) Specific provisions provided against loans:

	Current Period	Prior Period
Specific provisions		
Loans and receivables with limited collectibility	128	72
Loans and receivables with doubtful collectibility	1,478	204
Uncollectible loans and receivables	14,338	17,100
<b>Total</b>	<b>15,944</b>	<b>17,376</b>

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
(Gross amounts before the specific reserves)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	-	-	7,729

i.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	1,039	410	21,582
Additions (+)	6,072	22	3,585
Transfers from other categories of loans under follow-up (+)	-	4,417	1,361
Transfers to other categories of loans under follow-up (-)	4,417	1,361	-
Collections (-)	286	138	5,184
Write-offs (-)	-	-	31
Current period end balance	119	46	2,491
Specific provision (-)	2,289	3,304	18,822
Prior period end balance	128	1,478	14,338
<b>Net Balances on Balance Sheet</b>	<b>2,161</b>	<b>1,826</b>	<b>4,484</b>

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

j) Liquidation policies for the uncollectible loans and other receivables :

The loans and other receivables that are concluded to be uncollectible are written off from the assets according to the Tax Law by the decision of senior 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.

7. **Information on factoring receivables:** None.

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

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

a) Information on held to maturity portfolio:

	Current Period	Prior Period
Debt securities	85,800	41,654
Quoted in a stock exchange	85,800	41,654
Not quoted	-	-
Provision for impairment (-)	-	-
<b>Total</b>	<b>85,800</b>	<b>41,654</b>

b) Movement of held to maturity portfolio :

	Current Period	Prior Period
Beginning balance	41,654	98,756
Effect of inflation (-)	(5,257)	(23,274)
Foreign currency differences on monetary assets	-	6,020
Purchases during year	50,112	41,654
Disposals through sales and redemptions	(709)	(81,502)
Impairment provision	-	-
<b>Closing Balances</b>	<b>85,800</b>	<b>41,654</b>

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

	Current Period				Prior Period			
	Historical Cost		Valuation		Historical Cost		Valuation	
	TL	FC	TL	FC	TL	FC	TL	FC
<b>Held to Maturity Portfolio</b>								
Given as collateral or blocked	84,057	-	84,341	-	41,654	-	42,405	-
Subject to repo transactions	-	-	-	-	-	-	-	-
Held for structural position	-	-	-	-	-	-	-	-
Receivables from securities lending	-	-	-	-	-	-	-	-
Collaterals on securities lending	-	-	-	-	-	-	-	-
<b>Closing Balances</b>	<b>84,057</b>	<b>-</b>	<b>84,341</b>	<b>-</b>	<b>41,654</b>	<b>-</b>	<b>42,405</b>	<b>-</b>

As of December 31, 2003 cost of held to maturity securities which are not given as collateral is TL 1,743, with an amortized cost of TL 1,806.

c.2) Marketable securities held to maturity given as collateral consist of public sector debt securities of TL 84,057 (2002-TL 41,654), given as collateral for regulatory requirements.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bonds and similar investment securities	84,057	-	41,654	-
Other	-	-	-	-
<b>Total</b>	<b>84,057</b>	<b>-</b>	<b>41,654</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.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)****TÜRK EKONOMİ BANKASI A.Ş.****NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003 AND 2002 (Continued)****(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)****9. Information on investments (Net):**

## a.1) Information on investments (Net):

Description	Address (City/ Country)	Bank's share percentage-If different voting percentage(%)	Bank's risk group share percentage (%)
TEB Sigorta A.Ş.	İstanbul /Türkiye	50.00	100.00
Varlık Yatırım Ortaklığı A.Ş.	İstanbul /Türkiye	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
32,032	12,129	3,658	407	(161)	(2,951)	582	-
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. The financial statements of TEB Sigorta A.Ş. are prepared in accordance with Insurance Supervision Regulations. The current period data is presented as of December 31, 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: Not applicable.

a.4) Accounting policies for investments: The investments quoted to stock exchange are reflected at fair value. The investments which are not quoted at the stock exchange are reflected with their restated costs.

## b.1) Information on investments :

	Current Period	Prior Period
Balance at the beginning of the period	6,430	5,264
Movements during the period	3,345	1,166
Purchases	3,358	766
Free shares obtained profit from current year's share	125	444
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	(138)	(44)
Provision for impairment	-	-
<b>Balance at the end of the period</b>	<b>9,775</b>	<b>6,430</b>
Capital commitments	-	-
Share percentage at the end of the period (%)		

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

TÜRK EKONOMİ BANKASI A.Ş.

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

(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

## b.2) Valuation of investments:

	Current Period	Prior Period
Valuation with cost	9,420	6,062
Valuation with fair value	355	368
Valuation with equity method	-	-
<b>Total</b>	<b>9,775</b>	<b>6,430</b>

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

Investments	Current Period	Prior Period
Insurance companies/TEB Sigorta A.Ş.	9,420	6,062
Other financial investments	355	368
<b>Total</b>	<b>9,775</b>	<b>6,430</b>

## b.4) Investments which are quoted to a stock exchange:

	Current Period	Prior Period
Quoted to domestic stock exchanges	355	368
Quoted to international stock exchanges	-	-
<b>Total</b>	<b>355</b>	<b>368</b>

## b.5) Information related to investments that are included in consolidation: Not applicable.

Description	Address (City / Country))	Bank's share percentage-If different voting percentage(%)	Bank's risk group share percentage (%)	Method of Consolidation
-	-	-	-	-
-	-	-	-	-

Information related to investments that are included in consolidation as presented in table 9. b.5): Not applicable.

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

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

Description	Sale price	Market or Stock Price at Sale Date	Information on Cash and/or Term Sales
-	-	-	-
-	-	-	-
-	-	-	-

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

Description	Purchase Price	Market or Stock Price at Purchase Date	Information on Cash and/or Term Purchase
-	-	-	-
-	-	-	-

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

TÜRK EKONOMİ BANKASI A.Ş.

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

(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

10. Information on Subsidiaries (Net):

a) Information on subsidiaries:

Out of Group members / shareholders who has the control power with the parent company and/or other members of the financial group: Not applicable.

a.1) Information on subsidiaries:

Description	Address(City/ Country)	Bank's share percentage-If different voting percentage(%)	Bank's risk group share percentage (%)
The Economy Bank N.V.	Netherlands	100.00	100.00
Petek International Holdings B.V.	Netherlands	100.00	100.00
TEB Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	74.80	92.08
TEB Finansal Kiralama A.Ş.	İstanbul/Turkey	69.40	73.47
TEB Kıymetli Madenler A.Ş.	İstanbul/Turkey	68.76	72.66
TEB Factoring A.Ş.	İstanbul/Turkey	66.00	71.81
TEB Portföy Yönetimi A.Ş.	İstanbul/Turkey	55.89	99.54

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 (*)
1,190,635	84,002	6,429	56,308	(26)	5,998	8,112	-
1,773	1,755	-	-	-	(54)	3,262	-
23,533	17,048	368	2,300	1,770	383	2,983	-
75,508	8,225	176	13,103	-	1,550	500	-
247,698	55,608	150,104	1,496	64	24,839	4,141	-
210	204	-	-	-	(68)	40	-
5,425	4,475	606	914	211	1,692	876	-

(\*) Information is disclosed in statutory amounts as of December 31,2003.

b) Information on subsidiaries

b.1) Information on subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	115,278	102,656
Movements during the period	6,181	12,622
Purchases	285	7,835
Free shares obtained profit from current year's share	11,024	3,749
Dividends from current year income	-	-
Sales	-	-
Revaluation increase (*)	(5,128)	1,038
Provision for impairment	-	-
<b>Balance at the end of the period</b>	<b>121,459</b>	<b>115,278</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

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

## b.2) Valuation of subsidiaries:

Subsidiaries denominated in Turkish Lira are reflected by restating their costs and the capital increases after deducting the amounts generated by adding the values accumulated at the revaluation like funds to the capital of the subsidiaries with the conversion factors applicable for the relevant dates. 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	121,459	115,278
Valuation with fair value	-	-
Valuation with equity method	-	-

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

	Current Period	Prior Period	
<b>Subsidiaries</b>			
Banks / The Economy Bank N.V.	52,725	48,965	
Insurance Companies -	-	-	
Factoring Companies / TEB Factoring A.Ş.	16,426	16,141	
Leasing Companies / TEB Finansal Kiralama A.Ş.	26,234	26,234	
Finance Companies / -	-	-	
Other Subsidiaries / TEB Yatırım Men.Değ. A.Ş.	23,140	20,912	
	TEB Portföy Yönetimi A.Ş.	1,807	1,807
	Petek International Holdings B.V.	790	882
	TEB Kıymetli Madenler A.Ş.	337	337
<b>Total</b>	<b>121,459</b>	<b>115,278</b>	

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

b.5) Information related to subsidiaries that are included in consolidation: Not applicable.

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

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

**11. Information on other investments: None.**

- The obligations of the Bank relating to the joint venture, except for the other obligations, the obligations on capital or share on the capital obligations among other investors and the group's share on capital obligations on other subsidiaries: None
- Information on joint ventures : None.
- The Bank which does not prepare consolidated financial statements due to not being a parent company should disclose the information related to joint ventures in unconsolidated financials : Not applicable.
- The reason for unconsolidation of the unconsolidated joint ventures and the recording method of the joint ventures at the unconsolidated financial statements of the parent company Bank is explained: Not applicable.

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

TÜRK EKONOMİ BANKASI A.Ş.

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

(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

**12. Information on financial lease receivables (Net):** None.

- a) Aging of leasing receivables: None
- b) Information on net lease receivables: None.
- c) Related to lease agreements, criteria used in determining conditional lease installments, conditions for renewal or purchasing options and updating agreement quantities and restrictions on lease agreements, and some points like, event of being default or not, agreements renewed or not, if renewed the conditions of the renewal, restrictions of the renewal and general explanations about other important decisions that are included in leasing agreement: None.

**13. Information on receivables arising from term sales of assets included in miscellaneous receivables:** None.**14. Explanations related to interest and income accruals :**

- a) Information about accrued interest and income receivables:

Accrued Interest And Income Receivables	Current Period		Prior Period	
	TL	FC	TL	FC
Interest accruals - due	340	-	260	-
Interest accruals - not due	8,367	3,552	10,360	2,988
Loan commissions and other income accruals - due	-	-	-	-
Loan commissions and other income accruals - not due	20	6	13	1
<b>Total</b>	<b>8,727</b>	<b>3,558</b>	<b>10,633</b>	<b>2,989</b>

- b) Information on other interest and income accruals :

Other interest and income accruals	Current Period		Prior Period	
	TL	FC	TL	FC
Trading securities	660	46	3,815	18
Securities available for sale	-	-	-	407
Securities held to maturity	1,596	-	750	-
Interest accruals of reverse repo transactions	-	-	-	-
Interest accruals of reserve deposits	1,516	157	1,049	282
Income accruals of financial derivative instruments	1,138	3,303	5,007	-
Interest and income accruals	-	12	-	-
Income accrual of foreign exchange gains	1,138	3,291	5,007	-
Income accruals of financial lease income	-	-	-	-
Other	8,659	56	6,161	143
<b>Total</b>	<b>13,569</b>	<b>3,562</b>	<b>16,782</b>	<b>850</b>

**5. Information on fixed assets: (Net) :**

	Land and buildings	Leased fixed assets	Vehicles	Other tangible fixed assets	Total
Prior Period End :					
Cost	12,504	32,205	5,056	45,659	95,424
Accumulated depreciation(-)	3,225	17,780	2,673	29,320	52,998
Net book value	9,279	14,425	2,383	16,339	42,426
Current Period End :					
Net book value-beginning of period	9,279	14,425	2,383	16,339	42,426
Additions	-	1,341	838	6,783	8,962
Disposals(-)	2,690	-	45	1,443	4,178
Impairment	-	-	-	-	-
Depreciation (-)	176	4,486	901	5,296	10,859
Currency translation differences resulting from foreign investments	-	-	-	-	-
<b>Net book value-end of period</b>	<b>6,413</b>	<b>11,280</b>	<b>2,275</b>	<b>16,383</b>	<b>36,351</b>

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

TÜRK EKONOMİ BANKASI A.Ş.

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

(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

- a) If an asset impairment amount recorded or reversed in the current period is important for the general of the financial statements:
- a.1) Events and conditions for recording or reversing impairment : None.
- a.2) Amount of recorded or reversed impairment in the financial statements: None.
- b) The diminishing in value amounts set or cancelled in the current period according to the asset groups, that totals to an amount that effects the financial statements even though some or each of the amounts are not important individually and the reason and conditions for this: None.

**16. Information stated below, should be explained separately for each class of intangible fixed assets.**

- a) Useful life or depreciation rates :

The value of the intangible fixed asset subject to depreciation is distributed systematically to its useful life and the depreciation period, starting from the effective usage date of the asset is depreciated for its estimated useful life.

- b) Depreciation method : Intangible fixed assets is depreciated by using over, straight-line method with a rate of 20% over restated book values.
- c) Book value and accumulated depreciation amounts at beginning and end of period :

	Current Period	Prior Period
Gross Book Value	8,720	7,510
Accumulated Depreciation	(5,324)	(4,134)
<b>Total</b>	<b>3,396</b>	<b>3,376</b>

- d) Movement of intangible assets for the current period:

	Current Period
Beginning balance	3,376
Amounts formed internally	-
Additions due to mergers, transfers and acquisitions	1,211
Not used and disposed items	-
Increases or decreases in the revaluation fund	-
Impairment charges	-
Reversal of impairment charges	-
Depreciation expenses (-)	1,191
Currency translation differences arising from foreign investments	-
Other differences in book values	-
<b>Period end balance</b>	<b>3,396</b>

- e) Disclosures for book value, description and remaining depreciation time for a specific intangible fixed asset that is material to the financial statements: None.
- f) Disclosure for intangible fixed assets acquired through government incentives and accounted at fair value : None.
- g) The method of subsequent remeasurement for intangible fixed assets that are acquired through government incentives and recorded at fair vale at the initial recognition : None.
- h) The book value of intangible fixed assets that are pledged or restricted for use : None.
- h) Amount of purchase commitments for intangible fixed assets : None.
- j) Information on revalued intangible assets according to their types: None.

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

- k) Amount of total research and development expenses recorded in income statement within the period if any : None.
- l) Positive or negative consolidation goodwill that comes from consolidated parties is explained on related party basis: Not applicable.
- m) Information on goodwill : None.
- n) Reconciliation of movements on goodwill in the current period: None.
- o) Reconciliation of movements on negative goodwill in the current period: None.

**17. Information on other assets:**

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

	Current Period	Prior Period
Deferred tax	2,998	2,317
Assets held for sale	312	-
Advances given	8	211
Prepaid rent expenses	371	429
Transaction costs related to financial liabilities	2,108	2,342
Prepaid taxes	22,804	10,391
Other	4,116	7,802
<b>Total</b>	<b>32,717</b>	<b>23,492</b>

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

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)****TÜRK EKONOMİ BANKASI A.Ş.****NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003 AND 2002 (Continued)****(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)****II- Explanations And Footnotes On Liabilities****1. a) Information on maturity structure of deposits:****a.1) Current period :**

	7 day Call		Up to 1 month	1-3 Month	3-6 Month	6 Month-1	
	Demand	Accounts				Year	1 Year and over
Saving deposits	25,316	-	88,255	63,851	63,669	21,584	15,645
Foreign currency deposits	384,348	-	502,732	325,494	20,866	8,131	1,295
Residents in Turkey	365,261	-	488,527	318,044	19,409	7,654	1,295
Residents abroad	19,087	-	14,205	7,450	1,457	477	-
Public sector deposits	104	-	-	-	-	-	-
Commercial deposits	71,227	-	62,073	38,315	45,550	58,395	400
Other institutions deposits	36,539	-	1,512	2,627	1,455	1	-
Precious metals deposits	4,471	-	-	10,247	-	-	-
Interbank deposits	17,107	-	15,978	54,064	26,462	9,808	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	45	-	-	-	-	-	-
Foreign Banks	3,448	-	15,978	54,064	26,462	9,808	-
Special finance houses	13,614	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>539,112</b>	<b>-</b>	<b>670,550</b>	<b>494,598</b>	<b>158,002</b>	<b>97,919</b>	<b>17,340</b>

**a.2) Prior period :**

	7 day Call		Up to 1 month	1-3 Month	3-6 Month	6 Month-1	
	Demand	Accounts				Year	1 Year and over
Saving deposits	20,011	-	89,153	43,851	14,280	3,727	15,346
Foreign currency deposits	465,705	-	579,841	355,764	36,457	9,552	403
Residents in Turkey	447,254	-	561,972	349,357	33,672	8,054	384
Residents abroad	18,451	-	17,869	6,407	2,785	1,498	19
Public sector deposits	40	-	-	-	-	-	-
Commercial deposits	61,006	-	85,869	4,872	9,695	6	15
Other institutions deposits	37,326	-	489	16	9	1	-
Precious metals deposits	11,067	-	-	12,907	-	1,611	-
Interbank deposits	22,498	-	30,130	14,534	-	1,140	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	12,563	-	-	-	-	1,140	-
Foreign Banks	9,935	-	30,130	14,534	-	-	-
Special finance houses	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>617,653</b>	<b>-</b>	<b>785,482</b>	<b>431,944</b>	<b>60,441</b>	<b>16,037</b>	<b>15,764</b>

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

Saving Deposits	Under the guarantee of saving deposit insurance		Exceeding the limit of saving deposit	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	268,968	27,765	-	158,602
Foreign currency saving deposits	802,886	219,755	-	719,433
Other deposits in the form of saving deposits	1,136	775	-	7,526
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
<b>Total</b>	<b>1,072,990</b>	<b>248,295</b>	<b>-</b>	<b>885,561</b>

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

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

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

b.3) Saving deposits which are not under the guarantee of deposit insurance fund : None.

	Current Period	Prior Period
Foreign branches' saving deposits	-	-
Off-shore banking regions' saving deposits	25,225	-
<b>Total</b>	<b>25,225</b>	-

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	15,420	-	24,956	-
Financial institutions and organizations	-	-	14,813	-
Other institutions and organizations	9,643	-	4,609	-
Real persons	5,777	-	5,534	-
From foreign transactions	2	-	1,023	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	1,022	-
Real persons	2	-	1	-
<b>Total</b>	<b>15,422</b>	-	<b>25,979</b>	-

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	39,114	290,350	18,169	215,904
Medium and long-term	-	33,685	-	65,640
<b>Total</b>	<b>39,114</b>	<b>324,035</b>	<b>18,169</b>	<b>281,544</b>

**b) Additional explanations on concentration of the Bank's liabilities:**

The Bank's funding resources include customer deposits and loans borrowed from overseas. As of December 31, 2003 the Bank's foreign funds borrowed includes USD 125 million of syndicated loan obtained at October 27, 2003 with a maturity of 1 year.

The client concentration of branches are reviewed periodically and short and long term precautions are taken for those branches that experience client concentration.

The Bank's 50.40 % of bank deposits, and 67.83 % of other deposits are denominated in foreign currencies.

**4.a) Information on debt securities issued: None.****b) Information on convertible bonds: None.****c) The explanation on the maturity structure, interest rate, type of currency of the issued marketable securities : None.****5. Explanation on funds: None**

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)****TÜRK EKONOMİ BANKASI A.Ş.****NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003 AND 2002 (Continued)****(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)****6. Explanation on miscellaneous payables:**

	Current Period	Prior Period
Total amount of cash collateral obtained	193	137

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. Information on taxes, duties and premium payables:**

## a) Information on taxes payable :

	Current Period	Prior Period
Corporate taxes payable	-	-
Taxation of securities	1,872	2,241
Property tax	120	136
Banking Insurance Transaction Tax (BITT)	1,588	1,428
Foreign Exchange Transaction Tax	409	600
Value Added Tax Payable	102	42
Others (*)	2,443	1,557
<b>Total</b>	<b>6,534</b>	<b>6,004</b>

(\*) Others include stamp taxes payable amounting to TL 1,142 (2002-TL 730).

## b) Information on premiums :

	Current Period	Prior Period
Social Security Premiums-Employee	386	294
Social Security Premiums-Employer	545	416
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment insurance-Employee	27	21
Unemployment insurance-Employer	54	42
Others	-	-
<b>Total</b>	<b>1,012</b>	<b>773</b>

**9. Explanations on factoring payables: None.****10.a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the bank :**

In the financial lease agreements, installments are based on useful life, usage periods and on the basis of Tax Procedural Code.

## b) The explanation on modifications in agreements and new obligations that these modifications cause: None.

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

TÜRK EKONOMİ BANKASI A.Ş.

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

(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

## c) Explanation on financial lease obligations:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1	2,077	1,406	2,420	2,233
Between 1-4 Years	3,958	3,493	6,895	5,454
More than 4 Years	-	-	-	-
<b>Total</b>	<b>6,035</b>	<b>4,899</b>	<b>9,315</b>	<b>7,687</b>

## d) Footnotes and explanations regarding operational leases:

Except for the head-office and İzmir-Konak branch building, all branch premises of the Bank are leased under operational leases. As of December 31, 2003, the operating lease expense, amounting to TL 9,132 was reflected to the income statement. The lease periods vary between 1 and 10 years and lease agreements are cancelable subject to a period of notice.

## e) Information about sale and lease back transactions : None.

## 11. Information on interest and expense accruals:

	Current Period		Prior Period	
	TL	FC	TL	FC
Accrued interest on deposits	11,739	1,237	5,974	1,153
Accrued interest on funds borrowed	1,752	2,299	1,848	1,623
Accrued interest on bonds	-	-	-	-
Accrued interest on repurchase agreement transactions	14	-	32	-
Accruals on derivative financial instruments	3,098	4,015	5,203	-
Accrued interest and expense	-	34	-	-
Foreign exchange losses accrued	3,098	3,981	5,203	-
Other interest and expense accruals (*)	5,995	12	1,134	-
<b>Total</b>	<b>22,598</b>	<b>7,563</b>	<b>14,191</b>	<b>2,776</b>

(\*) Other interest and expense accruals include foreign exchange loss accruals of foreign currency indexed loans with an amount of TL 4,079 (2002-TL 235).

## 12. Provisions and subordinated loans :

## a) Information on general provisions::

	Current Period	Prior Period
General provisions	7,886	6,942
Provisions for First Group Loans and Receivables	6,615	5,889
Provisions for Second Group Loans and Receivables	20	36
Provisions for Non Cash Loans	1,251	1,017
Others	-	-
<b>Total</b>	<b>7,886</b>	<b>6,942</b>

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

## b) Information on employee termination benefits and notice indemnity:

	5 PP	4 PP	3 PP	2 PP	Prior Period	Current Period
Actual Payments of Employee Termination Benefits	56	107	947	662	435	-
Reserve for Employee Termination Benefits and Notice Indemnity	1,580	3,140	4,456	6,912	10,972	14,791
Actual Payment Ratio	%3.57	%3.40	%21.24	%9.59	%8.44	%8.35
Ratio of reserve for Employee Termination Benefits and Notice Indemnity	-	-	-	-	-	%8.35
Possible reserve for Employee Termination Benefits and Notice Indemnity	-	-	-	-	-	1,235

(\*) 5-year actual payment rate.

As of December 31, 2003, TL 1,235 (TL 1,055) of reserve for employee termination benefits and notice indemnity was reflected to the financial statements corresponding to 8.35% of total liability of TL 14,791.

As of December 31, 2003, the Bank provided a reserve of TL 251 for the unused vacation periods constituting 8.35% of total liability.

## c) Liabilities on pension rights: None.

c.1) Liabilities for pension funds established in accordance with "Social Security Institution": None

c.2) All kinds of liabilities resulting from pension funds, foundations etc, which provide benefits for the employees after retirement: None.

## d) The uncertainties related to the timing of expected payment amount and nature of provisions : None.

The nature of provisions is explained in the items a and b. For these provisions no payment is expected short-term.

## d) Information on free reserves for possible losses : None.

## f) Amount, quantity, maturity, interest rate, lender name and share certificate conversion option if any, of subordinated loans:

The Bank has signed an agreement with the International Finance Corporation (IFC) on July 17, 2002, for a subordinated loan. The facility is a US\$15 million, subordinated convertible loan, with a maturity of October 15, 2009 and with an interest rate of LIBOR+4.5%. The loan matches BRSA's Tier II Capital definitions as well as contributing the Bank's capital adequacy ratio in a positive manner. This loan has share a convertibility option.

## g) 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	-	20,899	-	28,025

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

TÜRK EKONOMİ BANKASI A.Ş.

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

(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

13. Information of Shareholders' Equity:

a) Presentation of paid-in capital:

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

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

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

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

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

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

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

g) Information on privileged shares :

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

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

15. a) Information on marketable securities value increase fund:

a.1) Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From associates and subsidiaries	111	-	229	-
From securities available-for-sale	-	-	-	-
From securities held for structural position	-	-	-	-
<b>Total</b>	<b>111</b>	<b>-</b>	<b>229</b>	<b>-</b>

a.2) Information on marketable securities value increase fund: None

b) The information on presentation of foreign exchange gains related to foreign currency participations, subsidiaries, securities available for sale in the financial statements : Foreign exchange gains are include in income statement.

c) The amount of accumulated exchange difference included in equity coming from previous periods related to the first time application of "Effects of Changes in Foreign exchange Rates" standard, except for cases where the amount could not be identified : None.

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

TÜRK EKONOMİ BANKASI A.Ş.

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

(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

16. Information on revaluation fund: None.

	Current Period		Prior Period	
	TL	FC	TL	FC
Fixed assets	-	-	-	-
Buildings	-	-	-	-
Gain on sale of property and investments and subsidiaries to be added to capital	584	-	-	-
Revaluation fund for leasehold improvements	-	-	-	-

17. The explanations on the elements of the revaluation fund are made: None.

18. Information on legal reserves:

	Current Period	Prior Period
First legal reserves	938	-
Second legal reserves	1,504	-
Other legal reserves appropriated in accordance with special legislation	-	-
<b>Total</b>	<b>2,442</b>	<b>-</b>

19. Information on extraordinary reserves: None.

Accumulated deficit amounting to TL 209,500 as of December 31, 2001, resulting from inflation accounting application was netted off as TL 254,893 as restated in the equivalent purchasing power at September 30, 2002, in consecutive order, from period income, general reserves, legal reserves and effect of inflation accounting on share capital accounts in accordance with the letter of BRSA dated July 29, 2002, numbered DZM 2/25-8760 depending on the authorization given to the Board of Directors by the Annual General Assembly meeting resolution dated July 10, 2002.

20. a) Information on minority shares : Not applicable.

b) Information on shareholders having more than 10 % share:

Name/Commercial title	Amounts	Share Percentage	Paid-in capital	Unpaid portion
TEB Mali Yatırımlar	38,681	%70.17	38,681	-
<b>Total</b>	<b>38,681</b>	<b>%70.17</b>	<b>38,681</b>	<b>-</b>

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

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

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

Other interest expense amounting to TL 28,915 includes foreign exchange losses amounting to TL 12,452 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 16,116 .

Other fees and commission income amounting to TL 21,030 includes fees and commissions on credit cards amounting to TL 6,565, and other fee and commission expense amounting to TL 12,894 includes fees and commissions on credit card and interbank money marked transactions amounting to TL 6,854 and TL 2,030, respectively.

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

	Current Period	Prior Period
Interest received from investments and subsidiaries	31	38

## b) Information on financial lease income: None.

## c) Interest received from reverse repurchase agreement transactions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest received from reverse repurchase agreement transactions	-	-	60	-

## d) Information on factoring receivables: None.

## 2. a) Information on interest expense to investments and subsidiaries:

	Current Period	Prior Period
Interest expense to investments and subsidiaries	329	591

## b) Information on financial lease expenses :

	Current Period	Prior Period
Financial lease expense	207	409

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

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

Account name	Demand Deposits	Time Deposits					Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	
<b>TL</b>							
Bank deposits	1	11,571	-	-	-	-	11,572
Saving deposits	7	25,839	20,056	11,124	3,180	5,929	66,135
Public sector deposits	-	-	-	-	-	-	-
Commercial deposits	1,116	19,053	4,925	9,155	1,246	29	35,524
Other deposits	1	390	202	14	-	-	607
7 days call accounts	-	-	-	-	-	-	-
<b>Total</b>	<b>1,125</b>	<b>56,853</b>	<b>25,183</b>	<b>20,293</b>	<b>4,426</b>	<b>5,958</b>	<b>113,838</b>
<b>FC</b>							
Foreign currency deposits (*)	135	14,602	9,340	729	230	31	25,067
7 days call accounts	-	-	-	-	-	-	-
Precious metal deposits	-	11	163	-	7	-	181
<b>Total</b>	<b>135</b>	<b>14,613</b>	<b>9,503</b>	<b>729</b>	<b>237</b>	<b>31</b>	<b>25,248</b>
<b>Total</b>	<b>1,260</b>	<b>71,466</b>	<b>34,686</b>	<b>21,022</b>	<b>4,663</b>	<b>5,989</b>	<b>139,086</b>

(\*) Interest expense on foreign currency demand deposits includes TL 1,507 of foreign bank deposits interest expense.

## d) Interest expense on repurchase agreements :

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on repurchase agreements	16,116	-	32,743	-

## e) Information about interest expense on factoring payables: None.

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

## 4. Information on other operating income :

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

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

	Current Period	Prior Period
Specific provisions for loans and other receivables	2,955	13,932
Unsecured	-	-
Other groups	2,955	13,932
General provision expenses	2,474	3,721
Marketable securities impairment expense	5	319
Provision for impairment*	-	-
Other	38	-
<b>Total</b>	<b>5,472</b>	<b>17,972</b>

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

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

TÜRK EKONOMİ BANKASI A.Ş.

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

(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

## 6.a) Information related to other operational expenses:

	Current Period	Prior Period
Personnel expenses	57,188	50,545
Reserve for employee termination benefits	1,026	1,012
Provision for social aid fund deficits	-	-
Depreciation expense of fixed assets	10,859	11,410
Amortization expense of intangible assets	1,191	1,086
Other operating expenses	26,167	25,856
Maintenance expenses	4,034	880
Advertisement expenses	3,541	4,142
Other expenses	18,592	20,834
Loss on sales of assets	70	39
Operational lease expenses	9,132	11,287
Others (*)	19,963	27,782
<b>Total</b>	<b>125,596</b>	<b>129,017</b>

(\*) Saving Deposits Insurance Funds premium amounting of TL 4,885 (2002- TL 10,322) is included in other operating expenses.

b) The nature and amount of extraordinary expenses and current period, tax expenses on extraordinary items: None.

c.1) Income statement item including goodwill and amortization: None.

c.2) If present, it is stated that the negative goodwill is determined in accordance with the principles in Article 16 of Communiqué of AAR related to "Acquisition and Merger of Banks and Acquisitions of Subsidiaries", the timing and amount of expected expenses and losses, the periods when the negative goodwill will be recorded as income and the income statement accounts in which it will be recorded: None.

## 7.a) Income and expenses relating to investments and subsidiaries :

	Current Period	Prior Period
Income and loss from subsidiaries (+/-)	12,308	7,385
Income and loss from investments (+/-)	125	436
<b>Total</b>	<b>12,433</b>	<b>7,821</b>

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

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

The Bank has certain banking transactions with group companies. These are commercial transactions, which are realized in line with market rates. These are reflected in income statement. The related amounts are presented in Part VIII of Section 5.

8. Income and expenses occurred from unconsolidated subsidiaries and participations : Not applicable.

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

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

- a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period : None.
- b) Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods : None.
- c) Income/loss related to minority shares: None.

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

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

TÜRK EKONOMİ BANKASI A.Ş.

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

(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

**IV- Explanations And Footnotes Related To Off-Balance Sheet Items**

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

a.1) The Bank's share in contingent liabilities of joint ventures together with other ventures : None.

a.2) Share of joint ventures in their own contingent liabilities: None.

a.3) The Bank's contingent liabilities resulting obligations of other ventures in joint ventures : None.

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

b.1) For contingent assets, if realization probability is close to certain, then it is accounted. If realization probability is low, then it is explained in the footnotes. As of December 31, 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 related to derivative financial instruments:**

	Derivative transactions according to purposes			
	Trading		Hedging	
	Current Period	Prior Period	Current Period	Prior Period
<b>Types of trading transactions</b>				
<b>Foreign currency related derivative transactions:</b>				
Forward FC transactions	457.015	336.446	-	-
FC swap transactions	273.373	339.804	-	-
Futures FC transactions	-	-	-	-
Option FC transactions	-	-	-	-
Total of FC derivative transactions (I)	730.388	676.250	-	-
<b>Interest related derivative transactions :</b>				
Interest rate swap transactions	874	-	-	-
Forward rate agreements	-	-	-	-
Interest option transactions	-	-	-	-
Other interest agreements	-	-	-	-
Futures interest transactions	-	-	-	-
Interest option transactions	-	-	-	-
Total of interest derivative transactions (II)	874	-	-	-
<b>Total trading derivative transactions (I+II)</b>	<b>731.262</b>	<b>676.250</b>		
<b>Types of hedging transactions</b>				
<b>Fair value hedges(2):</b>				
Futures currency transactions	-	-	-	-
Swap interest transactions	-	-	-	-
Total	-	-	-	-
<b>Cash flow hedges (3):</b>				
Swap currency transactions	-	-	-	-
Currency call options	-	-	-	-
Total	-	-	-	-
<b>Total hedging related derivatives (4).</b>				
<b>Total Derivative Transactions</b>	<b>731.262</b>	<b>676.250</b>		

(1) Share change in convertible bonds

(2) Derivative transactions arranged for protection from the fair value risk

(3) Derivative transactions arranged for protection from cash flow risk

(4) Derivative transactions arranged for protection from total risk

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003 AND 2002 (Continued)**

**(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)**

Related to agreements of forward transactions and options; the information based on the type of forward and options transactions are disclosed separately, specified with related amounts, type of agreement, purpose of transaction, nature of risk, strategy of risk management, hedging relationship, possible affects on the Bank's financial position, time of cash flow, reasons of unrealized transactions which previously projected to be realized, income and expenses that could not be linked to income statement in the fiscal year because of the agreements :

As of December 31, 2003, the Bank has no option contracts. The Bank's forward foreign exchange and swap transactions agreements are based on protection from interest and currency fluctuations. According to AAR, they do not qualify as hedging instruments and are remeasured at fair value.

Breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TL equivalents :

	Forward Buy	Forward Sell	Swap Buy	Swap Sell
Current Period				
TRL	21.967	38.443	-	-
USD	83.608	97.336	87.936	48.935
EURO	102.562	79.078	-	87.874
Other	19.134	14.887	48.723	779
<b>Total</b>	<b>227,271</b>	<b>229,744</b>	<b>136,659</b>	<b>137,588</b>
Prior Period				
TRL	23.932	70.110	-	-
USD	76.019	61.556	163.221	5.394
EURO	66.247	28.742	5.874	144.152
Other	655	9.185	-	21.163
<b>Total</b>	<b>166,853</b>	<b>169,593</b>	<b>169,095</b>	<b>170,709</b>

TL 57,274 of forward transactions for the current period are commitments from arbitrage transactions. Maturities of the outstanding agreements vary between January 2004 and April 2008.

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

- a) Nature and amount of irrevocable loan commitments : None other than explained in article b.1.
- b) Nature and amount of contingent loss and commitments from off-balance sheet items including below statements:

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

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

As of December 31, 2003 total guarantees and commitments consist of letter of guarantess amounting to TL 690,636 (2002-TL 587,895), acceptances amounting to TL 48,514 (2002-TL 45,988) and letters of credit amounting to TL 346,840 (2002-TL 277,974).

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

**4. Concentration of off-balance sheet commitments:** Sectoral concentration is disclose in Part IV.8.a of Section 5.

The information requested in this article will be reported after January 1, 2004.

- 5.a) Total amount of non-cash loans:

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

	Current Period	Prior Period
Guarantees given against cash loans	75,283	68,308
With maturity of 1 year or less than 1 year	17,042	25,594
With maturity of more than 1 year	58,241	42,714
Other non-cash loans	1,014,697	852,241
<b>Total</b>	<b>1,089,980</b>	<b>920,549</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.

**6. Custodian and intermediary services :**

The Bank provides trading and custodian services for securities in the name and account of third parties. The details of securities held in custody is shown in the statement of off-balance sheet commitments.

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

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

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

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

**Fitch Ratings: October 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

- 8.a) Sectoral breakdown of non-cash loans :

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

## TÜRK EKONOMİ BANKASI A.Ş.

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

## (Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	5,249	1.39	13,179	1.85	6,727	2.25	13,001	2.09
Farming and Raising livestock	4,998	1.33	12,401	1.74	4,078	1.37	2,665	0.43
Forestry	210	0.05	697	0.10	2,628	0.88	10,336	1.66
Fishing	41	0.01	81	0.21	21	0.01	-	-
Manufacturing	252,325	67.02	484,943	67.97	198,678	66.57	399,001	64.14
Mining	5,126	1.36	1,709	0.24	4,076	1.37	6,510	1.05
Production	242,098	64.31	482,852	67.68	190,421	63.80	390,911	62.84
Electric, gas and water	5,101	1.35	382	0.05	4,181	1.40	1,580	0.25
Construction	18,851	5.01	23,586	3.31	16,044	5.38	6,099	0.98
Services	96,441	25.62	65,089	9.11	73,612	24.67	141,041	22.67
Wholesale and retail trade	52,604	13.98	11,381	1.60	43,657	14.62	23,838	3.83
Hotel, food and beverage services	356	0.09	2,880	0.40	292	0.10	3,962	0.64
Transportation and telecommunication	20,074	5.33	12,131	1.70	11,030	3.70	11,923	1.92
Financial institutions	18,464	4.91	29,497	4.13	15,301	5.13	93,506	15.03
Real estate and renting services	2,519	0.67	8,026	1.12	1,924	0.64	6,981	1.12
Self-employment services	1,050	0.28	1,086	0.15	117	0.04	-	-
Education services	89	0.02	-	-	105	0.04	-	-
Health and social services	1,285	0.34	88	0.01	1,186	0.40	831	0.13
Other	3,615	0.96	126,702	17.76	3,370	1.13	62,976	10.12
<b>Total</b>	<b>376,481</b>	<b>100.00</b>	<b>713,499</b>	<b>100.00</b>	<b>298,431</b>	<b>100.00</b>	<b>622,118</b>	<b>100.00</b>

## b) Information about non-cash loans in I st and II Group :

	I st Group - Standard loans and other receivables		II nd Group - Loans and other receivables under close follow-up	
	TL	FC	TL	FC
Noncash loans				
Letters of guarantee	376,409	314,227	-	-
Bank acceptances	-	48,514	-	-
Letters of credit	72	346,768	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Other commitments and contingencies	-	3,990	-	-
<b>Total</b>	<b>376,481</b>	<b>713,499</b>	<b>-</b>	<b>-</b>

The Bank provided TL 62 of reserve for non-cash loans of TL 208.

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

**IV- Explanations And Footnotes Related To Statement of Shareholders' Equity Movement**

**1. Explanations on the adjustments made in the current period related to the first time application of Accounting Standards on Financial Instruments:**

- a) There are no increases resulting from securities available for sale.

Gain or loss generated from remeasurement of securities included in shareholders' equity in the current period available for sale, excluding those related to hedging : None.

- b) Increase in cash flow risk hedging items: None.

b.1) Reconciliation of beginning and ending balances are provided : None.

b.2) Amount of gains or losses related to hedging derivative instruments in cash flow hedges, which are recorded to the shareholders' equity in the current period is explained at the footnotes: None.

- c) Reconciliation of beginning and ending balances of the foreign currency differences : None.

**2. Explanations on the adjustments made in the current period regarding the application of Accounting Standard on Financial Instruments: None.**

- a) Information on securities available for sale: None.

Amount of gain/loss, recorded in income statement resulting from remeasurement of securities available for sale at fair value, which was previously recorded in shareholders' equity : None.

- b) Information on cash flow hedges: None.

Amount of gain/loss recorded in income statement resulting from remeasurement of hedged assets and liabilities in cash flow hedges, which was previously recorded in shareholders' equity.

**3. Information on dividend: None.**

- a) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.

- b) Dividends per share proposed subsequent to the balance sheet date: Profit appropriation will be resolved in the General Assembly meeting which has not been conducted as of the date of this report.

**4. Amounts transferred to legal reserves: TL 2,442 was transferred to legal reserves.**

**5. Information on shares issued: None.**

- a) The Bank explains the rights, priorities and restrictions regarding all the capital share classes including the distribution of income and repayment of the capital: None.

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003 AND 2002 (Continued)**

**(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)**

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

**1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents:**

“Others items” amounting of TL 39,353 in the “Operating profit before changes in operating assets and liabilities” consists of other operating expenses other than personnel expense, taxes paid, foreign exchange gain/losses and profit from held to maturity marketable securities.

“Net increase/decrease in other liabilities” with a total amount of TL 8,720 in the “Changes in operating assets and liabilities” consists of changes in miscellaneous payables, other external resources and taxes and duties payable.

“Net increase/decrease in other assets” with a total amount of TL 1,959 consists of changes in miscellaneous receivables and other assets.

The effect of changes in foreign exchange rates on cash and cash equivalents.

The effect of changes in foreign exchange rates on cash and cash equivalents are reflected in the net foreign exchange gain and losses which is included in the “Others” item in the “Operating profit before changes in operating assets and liabilities”.

**2. Cash flows related to acquisition of participations, subsidiaries and other investments:**

Total cash outflow of TL 3,643 relate to capital increase of subsidiaries in the current period.

**3. Information on disposals of the participations, subsidiaries and other investments: None.**

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

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

	Current Period	Prior Period
Cash	65.670	98.770
Cash equivalents	1.092.302	1.074.912

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

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

**6. a. Amount of unused borrowing facilities that can be used in funding banking operations and fulfillment of capital obligations and limitations related to these, if any: None.**

**b. The share of the Bank in banking, investment and financing operations of the joint ventures that are consolidated on a pro-rata basis: Not applicable**

**c. Total cash flows required to increase the capacity of banking operations, apart from the required cash flows for maintaining current banking operation capacity: None.**

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

**VII. Explanation And Footnotes Related To Mergers And Acquisitions**

No disclosures are required for mergers and acquisitions.

**1. The commercial name and type of the merged subsidiaries in the financial statements regarding the merger period, accounting policies applied in mergers, effective date of the merger and explanations on ceased operations on all mergers including transfers: None.**

2. a) The explanations related to acquisitions in the period: None.

Name of the Acquired Bank	Percentage of Shares with Voting Right	Acquisition Cost	Purchase Cost to be Paid or to be Conditionally Paid
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b) Provisions set for decreased or ceased operations related to acquisitions and total amount of provision set for each of the acquisitions in accordance with the accounting standard on the "Allowances, Contingent Liabilities and the Assets" : None

c) The relevant explanations if the fair values of the assets and the liabilities or the acquisition costs of the acquisition cannot be determined as of the end of the acquisition period; the relevant explanations if there are any adjustments made to the temporarily determined fair values: None.

**3. Explanations on transfers and acquisitions :**

a) Definition and quantity of shares issued, share of each shareholder and exchange of shares in case of voting of interests: None.

b) The amount of assets and liabilities included in the merger by each bank: None.

c) The sale income, other operational income, extraordinary income/expenses and net income or expense before the merger, that are included at the income or loss generating at the financial statements of the Bank after the merger: None.

**4. The explanations on mergers that occur subsequent to the after balance sheet date and before the approval and announcement of the financial statements: None.**

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

TÜRK EKONOMİ BANKASI A.Ş.

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

(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

## VIII. Footnotes And Explanations For Related Party Transactions

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

## a) Current Period :

Related Parties (*)	Investments and subsidiaries		Direct and indirect shareholders of the Bank		Other entities included in related parties	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	210	16,730	678	7,668	11,570	2,830
Balance at end of period	118	7,605	706	1,346	620	4,261
Interest and commission income	653	50	834	11	2,928	30

## b) Prior Period :

Related Parties (*)	Investments and subsidiaries		Direct and indirect shareholders of the Bank		Other entities included in related parties	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	92	41,344	852	1,365	5,575	6,303
Balance at end of period	210	16,730	678	7,668	11,570	2,830
Interest and commission income received	1,846	111	40	521	2,367	522

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

Related parties (*)	Investments and subsidiaries		Direct and indirect shareholders of the Bank		Other entities included in related parties	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Balance at beginning of period	6,798	10,637	207,423	67,672	15,870	13,988
Balance at end of period	13,934	6,798	165,750	207,423	1,453	15,870
Interest on deposits	329	548	5,513	2,791	188	12,692

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

Related Parties (*)	Investments and subsidiaries		Direct and indirect shareholders of the Bank		Other entities included in related parties	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Trading transactions						
Beginning of period	59,768	61,460	49,350	26,398	27,899	17,862
End of period	85,456	59,768	22,537	49,350	33,841	27,899
Total income/loss	544	919	(127)	(393)	766	704
Hedging transactions purposes						
Beginning of period	-	-	-	-	-	-
End of period	-	-	-	-	-	-
<b>Total income/loss</b>	<b>544</b>	<b>919</b>	<b>(127)</b>	<b>(393)</b>	<b>766</b>	<b>704</b>

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

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

TÜRK EKONOMİ BANKASI A.Ş.

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

(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

2. Disclosures for related parties ;

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

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

- 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
Securities held to maturity	-	-
Cash loans	1,444	0.12
Noncash loans	13,212	1.21
Deposits	181,137	9.16
Forward transactions and option agreements	141,834	19.40
Other receivables	-	-

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 Bank has financial lease agreements with TEB Finansal Kiralama A.Ş.. The total leasing obligations related to these agreements amounted to TL 4,899. Additionally, the Bank provides agency services for TEB Sigorta A.Ş. and TEB Yatırım Menkul Değerler A.Ş.

Within the limits of the Banking Law, the Bank renders cash and non-cash loans to its related parties and the ratio of these to the Bank's total cash and non-cash loan portfolio is 0.65 %. Amounts of these loans are explained in the note VIII-1a.

Bank has sold 50% of its Head office building to TEB Sigorta A.Ş. at December 25, 2003. The gain on sale of this building which amounts to TL 584 (nominal value of TL 2,675) has been classified in the revaluation fund to be added to share capital. This amount has been added to share capital subsequent to the balance sheet date as described in Part XI.

As of December 31, 2003, the Bank has no other purchases and sale of real estate and other assets, transfer of information as a result of research and development, license and management contracts with the related parties.

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003 AND 2002 (Continued)**

**(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)**

## **IX. Footnotes And Explanations For 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 AAR. Communiqué No:14 requires banks to restate their financials in the equivalent purchasing power of Turkish Lira at the balance sheet date. One characteristic that necessitates the application of inflation accounting under the provisions of Communiqué No : 14 is a cumulative three-year inflation rate approaching or exceeding 100%. As of December 31, 2003 based on the wholesale price indices announced by the State Institute of Statistics, the cumulative three-year inflation rate in Turkey is 181.1%.

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

The main guidelines for inflation accounting are as follows:

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

Non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and other components of shareholders' equity (except for the revaluation surplus which is eliminated) are restated by applying the relevant conversion factors; being the change in the general price index from the date of acquisition to the closing date. The inflation adjusted share capital amount has been derived by indexing each capital increase other than bonus shares from statutory revaluation fund from the date they were contributed. Transfers to share capital from general reserves, gain on sale of property and investments and inappropriate profits are considered as cash contributions and are restated from the date of contribution.

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

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

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

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

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

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

Indices and conversion factors that are used to restate the accompanying the financial statements as of December 31, 2003, reflecting the restatement for the changes in the general purchasing power of the Turkish is as follows;

Dates	Index	Conversion Factors
December 31, 2003	7,382.1	1.000
December 31, 2002	6,478.8	1.139
December 31, 2001	4,951.7	1.491

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

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

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.

Prior year financial statements were subject to independent audit.

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

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

TÜRK EKONOMİ BANKASI A.Ş.

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

(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

**X. The Information On The Bank's Domestic, Foreign, Off-Shore Branches And Foreign Representative Offices**

Information relating to the domestic, foreign, offshore branches and foreign representatives of the Bank:

	Number	Number of Employees			
Domestic branch	76	1,847			
			<u>Country of Incorporation</u>		
Foreign representatives	-	-	-		
				<u>Total Assets</u>	<u>Statutory Share Capital</u>
Foreign branch	-	-	-	-	-
Offshore banking region branches	1	2	Bahreyn	219,832	-

**XI. Footnotes And Explanations Related To Subsequent Events**

- a) Disclosure related to subsequent events and their impact on the financial statements as required by the related standard.
  - a.1) As of January 1, 2004 retirement pay liability ceiling was increased to TL 1.485.
  - a.2) In the General Assembly of TEB Portföy Yönetimi A.Ş. held at January 8, 2004, it was decided to increase share capital of TEB Portföy Yönetimi A.Ş. and ABN AMRO Portföy Yönetimi A.Ş. by TL 292 from acquisition and by TL 617 from revaluation fund.
- b) The impact of significant changes in foreign exchange rates subsequent to the balance sheet date on the foreign currency transactions, items and on the financial statements of the Bank : There are no significant changes.
- c) The Bank has increased its share capital from TL 55,125 to TL 57,800 (within its registered share capital ceiling of TL 100,000) by adding the gain on sale of property with a nominal amount of TL 2,675 with respect to the approval of BRSA dated January 21, 2004 and numbered BDDK.KYI.41.1.836.

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

## **SECTION SIX**

### **XII- OTHER EXPLANATIONS**

**Matters required to be disclosed due to having a significant effect on the financial statements or for the purpose of clarification of the balance sheet : None.**

## **SECTION SEVEN**

### **XIII- AUDITORS' REPORT**

The financial statements of the Bank were audited by Güney Serbest Muhasebeci Mali Müşavirlik A.Ş. (An Affiliated Firm of Ernst &Young International) and the auditors' report dated February 6, 2004 is presented preceding the financial statements.