

**Türk Ekonomi Bankası
Anonim Şirketi**

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

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

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

**TÜRK EKONOMI BANKASI ANONİM SİRKETİ
REPORT OF INDEPENDENT AUDITORS'
AS OF DECEMBER 31, 2003**

We have audited the consolidated balance sheet of Türk Ekonomi Bankasi Anonim Sirketi and its subsidiaries as of December 31, 2003 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Türk Ekonomi Bankasi Anonim Sirketi and its subsidiaries at December 31, 2003 and the results of its consolidated 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.

Güney Serbest Muhasebeci Mali Müsavirlik Anonim Sirketi
An Affiliated Firm of Ernst & Young International

Esra Peri, SMMM

March 11, 2004
Istanbul, Turkey

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

INDEX

	Page no.
SECTION ONE	
General Information	
I. Footnotes and Explanations on the Activities and Operations of the Parent Bank's Service	1
II. The Explanations and Footnotes Regarding the Group of the Parent Bank	1
SECTION TWO	
Consolidated Financial Statements	
I. Consolidated Balance Sheets – Assets	3
II. Consolidated Balance Sheets – Liabilities	4
III. Consolidated Statements of Income	5
IV. Consolidated Statements of Off Balance Sheet Commitments	6
V. Consolidated Statements of Changes in Shareholders' Equity	7
VI. Consolidated Statements of Cash Flows	8
SECTION THREE	
Accounting Principles	
I. Basis of Presentation	9
II. Presentation of the Information Regarding the Parent Bank and the Group Companies Included in the Consolidation	9
III. Explanations on Forward, Option Contracts and Derivative Instruments	11
IV. Netting of Financial Assets and Liabilities	11
V. Interest Income and Expense	11
VI. Fees and Commission Income and Expense	11
VII. Securities Held for Trading	11
VIII. Sales and Repurchase Agreements and Lending of Securities	12
IX. Securities Held to Maturity, Securities Available for Sale and Bank Originated Loans and Receivables	12
X. Unconsolidated Participations and Subsidiaries	13
XI. Originated Loans and Receivables and Provisions for Loan Impairment	13
XII. Goodwill and Other Intangible Fixed Assets	14
XIII. Tangible Fixed Assets	14
XIV. Leasing Transactions	15
XV. Provisions and Contingent Liabilities	15
XVI. Liabilities Regarding Employee Benefits	15
XVII. Taxation	16
XVIII. Additional Explanations on Borrowings	17
XIX. Paid-in Capital and Share Certificates	17
XX. Acceptances	17
XXI. Government Incentives	17
XXII. Securities at Custody	17
XXIII. Impairment of Assets	17
XXIV. Segment Reporting	17
XXV. Other Matters	18
SECTION FOUR	
Information on Consolidated Financial Structure	
I. Strategy for the Use of Financial Instruments and Explanation Regarding the Foreign Currency Transactions	19
II. Consolidated Capital Adequacy Standard Ratio	19
III. Consolidated Credit Risk	21
IV. Consolidated Market Risk	24
V. Consolidated Foreign Currency Risk	24
VI. Consolidated Interest Rate Risk	26
VII. Consolidated Liquidity Risk	28
VIII. Fair Value of Assets and Liabilities	29
IX. Fiduciary Transactions	30
X. Segment Reporting	30
SECTION FIVE	
Footnotes and Explanations on Consolidated Financial Statements	
I. Footnotes and Explanations Related to the Consolidated Assets	31
II. Footnotes and Explanations Related to the Consolidated Liabilities	44
III. Footnotes and Explanations Related to the Consolidated Income Statement	51
IV. Footnotes and Explanations Related to the Consolidated Off-balance Sheet Commitments	55
V. Footnotes and Explanations Related to the Consolidated Statement of Shareholders' Equity	59
VI. Footnotes and Explanations Related to the Consolidated Statement of Cash Flows	60
VII. Footnotes and Explanations Related to Mergers and Acquisitions	61
VIII. Footnotes and Explanations on the Risk Group of the Parent Bank	62
IX. Footnotes and Explanations on Inflation Accounting	64
X. Explanations Related to the Local, Foreign and Offshore Branches, Subsidiaries and Representative Offices of the Bank	66
XI. Explanations Related to Subsequent Events	66
SECTION SIX	
Other Footnotes and Explanations	
I. Other Explanations Regarding the Parent Bank	67
SECTION SEVEN	
Independent Auditors' Report	
I. Explanations related to the Independent Auditors' Report	68

(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 Bankasi Anonim Sirketi (the Bank)
Reporting period : 1 January – 31 December 2003
Address of the head office : Meclis-i Mebusan Caddesi No: 35
Findikli 34427 - ISTANBUL
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 Parent Bank's activities and operations: The Parent Bank's operating areas include, commercial and corporate banking, fund management operations and project financing
- 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 Parent Bank

The Group of the Parent Bank: Türk Ekonomi Bankasi Anonim Sirketi ("the Bank") is included in the Colakoglu Group. 70.17% of the shares of the Bank belongs to TEB Mali Yatirimlar Anonim Sirketi (TEB Mali Yatirimlar) and 8.60% of the shares belongs to Colakoglu Metalurji Anonim Sirketi.

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

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

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

I- CONSOLIDATED BALANCE SHEET

ASSETS		Note Ref. (Section Five)	Current Period 31.12.2003			Prior Period 31.12.2002		
			TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY		62,587	517,202	579,789	23,861	465,604	489,465
1.1	Cash		8,566	7	8,573	6,999	-	6,999
1.2	Foreign currency		-	57,200	57,200	-	91,876	91,876
1.3	Balances with the Central Bank of Turkey	I-1	54,021	459,995	514,016	16,862	373,728	390,590
II.	TRADING SECURITIES (Net)	I-2	37,726	13,178	50,904	46,181	10,862	57,043
2.1	Public sector debt securities		37,726	12,045	49,771	46,181	10,552	56,733
2.1.1	Government bonds		30,444	790	31,234	39,638	7,512	47,150
2.1.2	Treasury bills		7,281	-	7,281	6,542	-	6,542
2.1.3	Other		1	11,255	11,256	1	3,040	3,041
2.2	Share certificates		-	-	-	-	-	-
2.3	Other marketable securities		-	1,133	1,133	-	310	310
III.	BANKS AND OTHER FINANCIAL INSTITUTIONS		84,992	745,932	830,924	44,517	1,135,292	1,179,809
3.1	Due from banks		84,992	745,932	830,924	44,517	1,135,292	1,179,809
3.1.1	Domestic banks		64,910	151,839	216,749	31,508	203,594	235,102
3.1.2	Foreign banks	I-3	20,082	594,093	614,175	13,009	931,698	944,707
3.2	Other financial institutions		-	-	-	-	-	-
IV.	MONEY MARKET PLACEMENTS		369,507	64,091	433,598	266,968	203,652	470,620
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	2,507	-	2,507	8,034	-	8,034
V.	SECURITIES AVAILABLE FOR SALE (Net)	I-5	9	-	9	10	19,206	19,216
5.1	Share certificates		9	-	9	10	-	10
5.2	Other marketable securities		-	-	-	-	19,206	19,206
VI.	LOANS	I-6	560,193	1,159,276	1,719,469	410,676	1,085,926	1,496,602
6.1	Short term		488,220	859,249	1,347,469	381,252	889,102	1,270,354
6.2	Medium and long term		63,502	300,027	363,529	23,770	196,824	220,594
6.3	Loans under follow-up		24,415	-	24,415	23,030	46	23,076
6.4	Specific provisions (-)		(15,944)	-	(15,944)	(17,376)	(46)	(17,422)
VII.	FACTORING RECEIVABLES	I-7	89,955	25,072	115,027	47,742	28,091	75,833
VIII.	SECURITIES HELD TO MATURITY (Net)	I-8	85,914	5,540	91,454	41,910	3,236	45,146
8.1	Public sector debt securities		85,914	5,540	91,454	41,910	3,236	45,146
8.1.1	Government bonds		85,800	1,304	87,104	41,654	3,236	44,890
8.1.2	Treasury bills		114	4,236	4,350	256	-	256
8.1.3	Other		-	-	-	-	-	-
8.2	Other marketable securities		-	-	-	-	-	-
IX.	INVESTMENTS AND ASSOCIATES (Net)	I-9	509	-	509	505	-	505
9.1	Financial investments and associates		509	-	509	505	-	505
9.2	Non-Financial investments and associates		-	-	-	-	-	-
X.	SUBSIDIARIES (Net)	I-10	383	-	383	385	-	385
10.1	Financial subsidiaries		383	-	383	385	-	385
10.2	Non-Financial subsidiaries		-	-	-	-	-	-
XI.	OTHER INVESTMENTS (Net)	I-11	-	-	-	-	-	-
XII.	FINANCE LEASE RECEIVABLES (Net)	I-12	4,233	145,521	149,754	5,336	91,568	96,904
12.1	Gross finance lease receivables		4,733	163,386	168,119	7,474	102,974	110,448
12.2	Unearned income (-)		(500)	(17,865)	(18,365)	(2,138)	(11,406)	(13,544)
XIII.	RESERVE DEPOSITS		18,006	129,922	147,928	10,530	139,765	150,295
XIV.	MISCELLANEOUS RECEIVABLES	I-13	949	1,407	2,356	355	47	402
XV.	ACCRUED INTEREST AND INCOME RECEIVABLES	I-14	24,431	13,426	37,857	27,429	13,730	41,159
15.1	Loans		9,745	8,033	17,778	10,662	11,186	21,848
15.2	Marketable securities		2,726	494	3,220	4,793	612	5,405
15.3	Other		11,960	4,899	16,859	11,974	1,932	13,906
XVI.	PROPERTY AND EQUIPMENT (Net)	I-15	42,057	6,353	48,410	47,785	468	48,253
16.1	Book value		111,079	7,255	118,334	108,868	1,278	110,146
16.2	Accumulated depreciation (-)		(69,022)	(902)	(69,924)	(61,083)	(810)	(61,893)
XVII.	INTANGIBLE ASSETS [Net]	I-16	3,907	80	3,987	4,289	142	4,431
17.1	Goodwill		421	-	421	421	-	421
17.2	Other		10,934	1,011	11,945	9,670	1,038	10,708
17.3	Accumulated amortization (-)		(7,448)	(931)	(8,379)	(5,802)	(896)	(6,698)
XVIII.	OTHER ASSETS	I-17	63,483	11,563	75,046	42,136	2,857	44,993
TOTAL ASSETS			1,448,841	2,838,563	4,287,404	1,020,615	3,200,446	4,221,061

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.
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2003 AND 2002
(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)**

II- CONSOLIDATED BALANCE SHEET

LIABILITIES		Note Ref. (Section Five)	Current Period 31.12.2003			Prior Period 31.12.2002		
			TL	FC	Total	TL	FC	Total
I.	DEPOSITS	II-1	741,692	2,313,991	3,055,683	444,515	2,752,438	3,196,953
1.1	Bank deposits		78,720	73,125	151,845	34,558	85,585	120,143
1.2	Saving deposits		291,788	-	291,788	186,367	-	186,367
1.3	Public sector deposits		104	-	104	40	-	40
1.4	Commercial deposits		328,946	-	328,946	185,710	-	185,710
1.5	Other institutions deposits		42,134	-	42,134	37,840	-	37,840
1.6	Foreign currency deposits		-	2,226,148	2,226,148	-	2,641,268	2,641,268
1.7	Precious metals deposit accounts		-	14,718	14,718	-	25,585	25,585
II.	MONEY MARKET BALANCES		15,422	-	15,422	25,979	-	25,979
2.1	Interbank money market takings		-	-	-	-	-	-
2.2	Istanbul Stock Exchange money market takings		-	-	-	-	-	-
2.3	Funds provided under repurchase agreements	II-2	15,422	-	15,422	25,979	-	25,979
III.	FUNDS BORROWED		67,918	522,564	590,482	40,257	407,400	447,657
3.1	Funds borrowed from the Central Bank of Turkey	II-3	-	-	-	-	-	-
3.2	Other funds borrowed		67,918	522,564	590,482	40,257	407,400	447,657
3.2.1	Domestic banks and institutions		31,669	25,719	57,388	19,198	13,837	33,035
3.2.2	Foreign banks, institutions and funds		36,249	496,845	533,094	21,059	393,563	414,622
IV.	MARKETABLE SECURITIES ISSUED (Net)	II-4	-	-	-	-	-	-
4.1	Bills		-	-	-	-	-	-
4.2	Asset backed securities		-	-	-	-	-	-
4.3	Bonds		-	-	-	-	-	-
V.	FUNDS	II-5	-	-	-	-	-	-
VI.	MISCELLANEOUS PAYABLES	II-6	20,565	15,923	36,488	25,295	42,864	68,159
VII.	OTHER EXTERNAL RESOURCES	II-7	39,667	6,591	46,258	21,245	7,527	28,772
VIII.	TAXES AND OTHER DUTIES PAYABLE	II-8	8,988	958	9,946	7,701	-	7,701
IX.	FACTORING PAYABLES	II-9	48,045	16,556	64,601	14,930	16,953	31,883
X.	FINANCE LEASE PAYABLES (Net)	II-10	-	-	-	-	-	-
10.1	Finance Lease Payables		-	-	-	-	-	-
10.2	Deferred finance lease expenses (-)		-	-	-	-	-	-
XI.	ACCRUED INTEREST AND EXPENSES PAYABLE	II-11	24,225	15,237	39,462	14,884	13,487	28,371
11.1	Deposits		12,518	5,557	18,075	6,039	10,060	16,099
11.2	Borrowings		2,439	4,171	6,610	2,348	2,490	4,838
11.3	Repurchase agreements		14	-	14	32	-	32
11.4	Other		9,254	5,509	14,763	6,465	937	7,402
XII.	PROVISIONS	II-12	55,696	7,123	62,819	41,757	1,920	43,677
12.1	General provisions		7,886	-	7,886	6,942	-	6,942
12.2	Reserve for employee termination benefits		2,361	-	2,361	1,995	-	1,995
12.3	Provisions for income taxes		34,220	7,123	41,343	24,207	1,920	26,127
12.4	Insurance technical reserves (Net)		10,915	-	10,915	7,995	-	7,995
12.5	Other provisions		314	-	314	618	-	618
XIII.	SUBORDINATED LOANS	II-12	-	20,899	20,899	-	28,025	28,025
XIV.	MINORITY INTEREST	II-20	24,876	-	24,876	21,929	-	21,929
XV.	SHAREHOLDERS' EQUITY		278,716	41,752	320,468	246,065	45,890	291,955
15.1	Paid-in capital	II-13	55,125	-	55,125	55,125	-	55,125
15.2	Supplementary capital		215,160	-	215,160	215,227	-	215,227
15.2.1	Share premium	II-14	-	-	-	-	-	-
15.2.2	Share cancellation profits		-	-	-	-	-	-
15.2.3	Marketable securities value increase fund	II-15	162	-	162	229	-	229
15.2.4	Revaluation fund	II-16	-	-	-	-	-	-
15.2.5	Value increase in revaluation fund	II-17	-	-	-	-	-	-
15.2.6	Other capital reserves		-	-	-	-	-	-
15.2.7.	Effect on inflation accounting on share capital		214,998	-	214,998	214,998	-	214,998
15.3	Profit reserves		7,989	2,601	10,590	5,025	6,666	11,691
15.3.1	Legal reserves	II-18	7,989	-	7,989	5,025	-	5,025
15.3.2	Status reserves		-	-	-	-	-	-
15.3.3	Extraordinary reserves	II-19	-	-	-	-	-	-
15.3.4	Other profit reserves	II-15	-	2,601	2,601	-	6,666	6,666
15.4	Profit or loss		442	39,151	39,593	(29,312)	39,224	9,912
15.4.1	Prior year income/loss		(41,722)	32,948	(8,774)	(45,973)	26,264	(19,709)
15.4.1.1	Group's share		(31,245)	32,948	1,703	(34,281)	26,264	(8,017)
15.4.1.2	Minority shares		(10,477)	-	(10,477)	(11,692)	-	(11,692)
15.4.2	Current year income/loss		42,164	6,203	48,367	16,661	12,960	29,621
15.4.2.1	Group's share		42,131	6,203	48,334	15,501	12,960	28,461
15.4.2.2	Minority shares		33	-	33	1,160	-	1,160
TOTAL LIABILITIES			1,325,810	2,961,594	4,287,404	904,557	3,316,504	4,221,061

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.
CONSOLIDATED 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- CONSOLIDATED STATEMENTS OF INCOME

INCOME AND EXPENSES		Note Ref. (Section Five)	Current Period	Prior Period
			31.12.2003	31.12.2002
			Total	Total
I.	INTEREST INCOME	III-1	425,305	517,746
1.1	Interest on loans		218,790	234,703
1.1.1	Interest on TL loans		163,066	149,811
1.1.1.1	Short term loans		153,118	141,033
1.1.1.2	Medium and long term loans		9,948	8,778
1.1.2	Interest on foreign currency loans		55,405	84,162
1.1.2.1	Short term loans		34,898	66,532
1.1.2.2	Medium and long term loans		20,507	17,630
1.1.3	Interest on loans under follow-up		319	730
1.1.4	Premiums received from Resource Utilization Support Fund		-	-
1.2	Interest received from reserve deposits		6,309	4,836
1.3	Interest received from banks		45,125	71,354
1.3.1	The Central Bank of Turkey		-	21
1.3.2	Domestic banks		26,773	18,270
1.3.3	Foreign banks		18,352	53,063
1.4	Interest received from money market transactions		87,196	98,026
1.5	Interest received from marketable securities portfolio		24,925	67,803
1.5.1	Trading securities		3,330	30,115
1.5.2	Available-for-sale securities		3,151	877
1.5.3	Held to maturity securities		18,444	36,811
1.6	Other interest income		42,960	41,024
II.	INTEREST EXPENSE	III-2	247,806	297,387
2.1	Interest on deposits		185,505	214,645
2.1.1	Bank deposits		14,719	20,032
2.1.2	Saving deposits		76,125	80,873
2.1.3	Public sector deposits		-	5
2.1.4	Commercial deposits		68,860	12,310
2.1.5	Other institutions deposits		607	177
2.1.6	Foreign currency deposits		25,013	101,082
2.1.7	Precious metals vault accounts		181	166
2.2	Interest on money market transactions		-	38
2.3	Interest on funds borrowed		33,245	48,387
2.3.1	The Central Bank of Turkey		-	-
2.3.2	Domestic banks		9,824	9,777
2.3.3	Foreign banks		20,062	38,023
2.3.4	Other financial institutions		3,359	587
2.4	Interest on securities issued		-	-
2.5	Other interest expense		29,056	34,317
III.	NET INTEREST INCOME (I - II)		177,499	220,359
IV.	NET FEES AND COMMISSIONS INCOME		40,300	40,554
4.1	Fees and commissions received		59,153	56,833
4.1.1	Cash loans		5,247	2,967
4.1.2	Non-cash loans		13,305	8,142
4.1.3	Other		40,601	45,724
4.2	Fees and commissions paid		18,853	16,279
4.2.1	Cash loans		2,566	2,017
4.2.2	Non-cash loans		402	133
4.2.3	Other		15,885	14,129
V.	DIVIDEND INCOME		-	-
5.1	Trading securities		-	-
5.2	Available-for-sale securities		-	-
VI.	NET TRADING INCOME		41,175	19,524
6.1	Profit/losses on trading account securities (Net)		43,335	24,738
6.2	Foreign exchange gains/losses (Net)		(2,160)	(5,214)
VII.	PROFIT/LOSS FROM HELD TO MATURITY MARKETABLE SECURITIES	III-3	-	-
VIII.	OTHER OPERATING INCOME	III-4	19,124	24,739
IX.	TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)		278,098	305,176
X.	PROVISION FOR LOAN LOSSES OR OTHER RECEIVABLES (-)	III-5	7,738	18,749
XI.	OTHER OPERATING EXPENSES (-)	III-6	156,566	163,940
XII.	NET OPERATING INCOME (IX-X-XI)		113,794	122,487
XIII.	PROFIT/LOSSES FROM ASSOCIATES AND SUBSIDIARIES	III-7	171	-
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION		(32,297)	(58,725)
XV.	INCOME BEFORE TAXES (XII+XIII)		81,668	63,762
XVI.	PROVISION FOR TAXES ON INCOME (-)		33,301	34,141
XVII.	NET OPERATING INCOME/EXPENSE AFTER TAXES (XIV-XV)		48,367	29,621
XVIII.	EXTRAORDINARY INCOME/EXPENSE AFTER TAXES		-	-
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		-	-
XIX.	PROFIT/LOSSES ON UNCONSOLIDATED INVESTMENTS (-)		-	-
XX.	NET PROFIT/LOSSES (XVI+XVII+XVIII-XIX)		48,367	29,621
20.1	Group's profit/loss	III-9	48,334	28,461
20.2	Minority shares		33	1,160
XXI.	Earnings/Losses per share		438.70	268.67

The accompanying notes are an integral part of these statements.

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

IV- CONSOLIDATED STATEMENTS OF OFF-BALANCE SHEET COMMITMENTS

OFF - BALANCE SHEET COMMITMENTS	Note Ref. (Section Five)	Current Period 31.12.2003			Prior Period 31.12.2002		
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF - BALANCE SHEET COMMITMENTS (I+II+III)		777,553	1,733,561	2,511,114	602,414	1,706,697	2,309,111
I. GUARANTEES	IV-3,4,5,8	379,725	831,068	1,210,793	301,866	782,918	1,084,784
1.1 Letters of guarantee	IV-3	379,653	351,137	730,790	301,736	359,851	661,587
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	4,234	89,689	79,471	53,516	132,987
1.1.3 Other letters of guarantee		261,435	345,089	606,524	189,783	306,047	495,830
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	430,620	430,692	82	366,797	366,879
1.3.1 Documentary letters of credit		72	394,920	394,992	82	323,253	323,335
1.3.2 Other letters of credit		-	35,700	35,700	-	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		-	-	-	48	1,589	1,637
1.8 Other collaterals		-	797	797	-	8,693	8,693
II. COMMITMENTS		337,418	278,799	616,217	206,506	375,136	581,642
2.1 Irrevocable commitments		334,920	278,799	613,719	206,506	375,136	581,642
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	128,642	-	128,642
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		104,007	-	104,007	-	-	-
2.2 Revocable commitments		2,498	-	2,498	-	-	-
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		2,498	-	2,498	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	IV-2	60,410	623,694	684,104	94,042	548,643	642,685
3.1 Forward foreign currency buy/sell transactions		60,410	349,447	409,857	94,042	201,082	295,124
3.1.1 Forward foreign currency transactions-buy		21,967	181,643	203,610	23,933	121,867	145,800
3.1.2 Forward foreign currency transactions-sell		38,443	167,804	206,247	70,109	79,215	149,324
3.2 Swap transactions related to f.c. and interest rates		-	274,247	274,247	-	347,561	347,561
3.2.1 Foreign currency swap-buy		-	136,249	136,249	-	173,015	173,015
3.2.2 Foreign currency swap-sell		-	137,124	137,124	-	174,546	174,546
3.2.3 Interest rate swaps-buy		-	410	410	-	-	-
3.2.4 Interest rate swaps-sell		-	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. CUSTODY AND PLEDGED ITEMS (IV+V)	IV-6	1,776,985	615,117	2,392,102	1,321,955	437,811	1,759,766
IV. ITEMS HELD IN CUSTODY		1,292,491	303,964	1,596,455	923,692	292,767	1,216,459
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	587,018	50,358	637,376
4.4 Commercial notes received for collection		47,826	35,953	83,779	14,353	23,890	38,243
4.5 Other assets received for collection		-	52,331	52,331	496	53,475	53,971
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		4,064	-	4,064	884	-	884
4.8 Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		484,494	311,153	795,647	398,263	145,044	543,307
5.1 Marketable securities		21,685	14,614	36,299	13,392	9,536	22,928
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 Immovable		141,216	175,143	316,359	127,326	42,214	169,540
5.6 Other pledged items		127,761	103,825	231,586	35,582	91,791	127,373
5.7 Pledged items-depository		-	-	-	-	-	-
TOTAL COMMITMENTS (A+B)		2,554,538	2,348,678	4,903,216	1,924,369	2,144,508	4,068,877

The accompanying notes are an integral part of these statements.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)
TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENTS OF 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- CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Note Ref. (Section Five)	Paid-in Capital	Effect on inflation Accounting on Capital	Share premium	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves (*)	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Revaluation Fund	Value Increase Fund	Marketable Securities Value Increase Fund	Total
1	Balances at the beginning of the period - 01.01.2002	55,125	469,783	-	62,215	-	-	5,875	(67,665)	(264,019)	-	-	-	261,314
2	Foreign exchange difference	-	-	-	-	-	-	1,440	-	-	-	-	-	1,440
3	Net Income	-	-	-	-	-	-	-	29,621	-	-	-	-	29,621
4	Dividend	-	-	-	-	-	-	-	-	-	-	-	229	229
5	Transferred to legal reserves	-	(254,785)	-	(57,190)	-	-	-	67,665	244,310	-	-	-	-
6	Bond Convertible to shares	-	-	-	-	-	-	(649)	-	-	-	-	-	(649)
7	Issuance of share certificate	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance (1+2+3+4+5+6+7+8+9+10)	55,125	214,998	-	5,025	-	-	6,666	29,621	(19,709)	-	-	229	291,955
1	Balances at the beginning of the period - 01.01.2003	55,125	214,998	-	5,025	-	-	6,666	29,621	(19,709)	-	-	229	291,955
	Increases in the period :	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Available for sale investment	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Net fair value gain/losses	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Cash flow hedge:	-	-	-	-	-	-	-	-	-	-	-	-	-
3.1	Net fair value gain/losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Foreign exchange difference	-	-	-	-	-	-	(4,065)	-	-	-	-	-	(4,065)
	Transferred Amount :	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Available for sale investment	-	-	-	-	-	-	-	-	-	-	-	-	-
5.1	Transferred to net income	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Cash flow hedge:	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Transferred to net income	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Transferred to assets	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Net Income	-	-	-	-	-	-	-	48,367	-	-	-	-	48,367
8	Dividend	-	-	-	-	-	-	-	-	(16,328)	-	-	-	(16,328)
9	Transferred to legal reserves	-	-	-	2,964	-	-	-	(29,621)	27,263	-	-	-	606
10	Issuance of share certificate	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Other	-	-	-	-	-	-	-	-	-	-	-	(67)	(67)
	Closing Balance (1+2+3+4+5+6+7+8+9+10)	55,125	214,998	-	7,989	-	-	2,601	48,367	(8,774)	-	-	162	320,468

(*) The negative goodwill amounting to TL 649 is reflected in the income statement of the prior year.

The accompanying notes are an integral part of these statements.

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

VI- CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note Ref. (Section Five)	Current Period 31.12.2003	Prior Period 31.12.2002
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities(+)		79,209	56,365
1.1.1 Interest received(+)		431,560	536,418
1.1.2 Interest paid(-)		(244,076)	(314,209)
1.1.3 Dividend received(+)		171	-
1.1.4 Fees and commissions received(+)		59,153	56,833
1.1.5 Other income(+)		56,725	49,477
1.1.6 Collections from previously written off loans and other receivables(+)		5,346	1,144
1.1.7 Payments to personnel and service suppliers(-)		(72,917)	(66,621)
1.1.8 Taxes paid(-)		(105,097)	(45,788)
1.1.9 Other	VI-1	(51,656)	(160,889)
1.2 Changes in operating assets and liabilities		(311,444)	489,175
1.2.1 Net (increase) decrease in trading securities(+/-)		6,139	(43,103)
1.2.2 Net (increase) decrease in due from banks and other financial institutions(+/-)		(13,605)	(15,669)
1.2.3 Net (increase) decrease decrease in loans	VI-1	(220,050)	(135,557)
1.2.4 Net (increase) decrease in other assets(+/-)		(106,012)	(45,959)
1.2.5 Net increase (decrease) in bank deposits(+/-)		31,702	17,140
1.2.6 Net increase (decrease) in other deposits(+/-)		(172,972)	687,674
1.2.7 Net increase (decrease) in funds borrowed(+/-)		142,825	-
1.2.8 Net increase (decrease) in matured payables(+/-)	VI-1	-	18,325
1.2.9 Net increase (decrease) in other liabilities(+/-)		20,529	6,324
I. Net cash provided from banking operations(+/-)		(232,235)	545,540
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities(+/-)		(49,603)	23,786
2.1 Cash paid for purchase of investments, associates and subsidiaries(-)	VI-2 VI-3	-	-
2.2 Cash obtained from sale of investments, associates and subsidiaries(+)		-	550
2.3 Fixed assets purchases(-)		(16,981)	(19,506)
2.4 Fixed assets sales(+)		2,135	1,849
2.5 Cash paid for purchase of securities available for sale (-)		-	(19,216)
2.6 Cash obtained from sale of securities available for sale (+)		17,236	4,253
2.7 Cash paid for purchase of investment securities(-)		(55,766)	(45,145)
2.8 Cash obtained from sale of investment securities(+)		3,773	101,001
2.9 Extraordinary items(+/-)		-	-
2.10 Other (+/-)		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities(+/-)		(16,328)	(32,663)
3.1 Cash obtained from funds borrowed and securities issued(+)		-	475,683
3.2 Cash used for repayment of funds borrowed and securities issued(-)		-	(508,346)
3.3 Capital increase(+)		-	-
3.4 Dividends paid(-)		(16,328)	-
3.5 Payments for finance leases(-)		-	-
3.6 Extraordinary items(+/-)		-	-
3.7 Other(+/-)		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		(13,389)	(1,178)
V. Net increase / (decrease) in cash and cash equivalents(I+II+III)		(311,555)	535,485
VI. Cash and cash equivalents at beginning of the year(+)	VI-4	2,124,224	1,588,739
VII. Cash and cash equivalents at end of the year	VI-4	1,812,671	2,124,224

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.S.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2003 AND 2002
(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)**

SECTION THREE

ACCOUNTING PRINCIPLES

I. Basis of Presentation

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

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

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

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

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

Explanations on Consolidation Method and Scope

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

Commercial Name:	Head Office
-----	-----
Economy Bank	The Netherlands
Petek International	The Netherlands
TEB Yatirim	Istanbul
TEB Portfooy	Istanbul
TEB Leasing	Istanbul
TEB Factoring	Istanbul
TEB Sigorta	Istanbul

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

The unconsolidated subsidiary TEB Kiyetli Madenler Anonim Sirketi (TEB Kiyetli Madenler) is valued at cost. The financial statements of TEB Kiyetli Madenler is not included in the consolidation as of December 31, 2003 in accordance with the AAR's materiality principle.

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

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

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

Explanations on Foreign Currency Transactions

Gains or losses arising from foreign currency transactions are reflected in the statement of income as they are realized during the year. Foreign currency assets and liabilities at each year-end are translated into Turkish lira at the year-end foreign exchange buying rates announced by the Parent Bank and the resulting foreign exchange gains or losses are recorded in the statement of income as foreign exchange gain or loss. The USD exchange rate used for translating foreign currency transactions into Turkish Lira and reflecting these to consolidated financial statements as of December 31, 2003 is TL 1,393,278 (2002 – TL 1,639,745 (in full TL)).

The Group's total net foreign exchange loss included in the net income of the period is TL 2,160 (2002 – TL 5,214). This amount does not consist foreign exchange gain amounting to TL 1,917 and loss amounting TL 12,452 related to the foreign currency indexed loans under the "Interest Income" and "Interest Expense" respectively in accordance with the Uniform Chart of Accounts.

There are no capitalized foreign exchange losses.

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

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

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

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

III- Explanations on Forward, Option Contracts and Derivative Instruments

In accordance with Communiqué No:1, “Accounting Standards of Financial Instruments” of AAR, derivative financial instruments that are not designated as hedging instruments are classified as held-for-trading and carried at fair value.

As of December 31, 2003, foreign currency forward and swap transactions were evaluated by comparing year-end foreign exchange rates of the Parent Bank with the forward rate amortized to the balance sheet date, since the book values approximate their fair values. The resulting gain or loss is reflected to the income statement.

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

IV- Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are off setted when the Group has a legal right and sanction regarding netting off, and when the Bank has the intention of collecting or paying the net amount of related assets and liabilities or when the Bank has the right to off set the assets and liabilities simultaneously. There is no netting of financial assets and liabilities at the accompanying financial statements as of December 31, 2003.

V- Interest Income and Expense

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

VI- Fees and Commission Income and Expense

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

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

VII- Securities Held for Trading

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

Since the foreign currency financial assets held in the same portfolio (Eurobonds) do not hold 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.”

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

VIII- 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 consists of domestic public sector debt securities.

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

As of December 31, 2003 and 2002, the interest expense accruals that are calculated using the effective interest rates for the funds lent under reverse repurchase agreements are reflected to the interest and other income accruals account in the balance sheet.

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

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

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

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

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

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

Loans and receivables originated by the Parent 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

The Group 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.

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

X- Unconsolidated Participations and Subsidiaries

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

Turkish lira subsidiaries are valued by means of restating their costs and the capital increases after deducting the ones generated by means of adding the values accumulated at the revaluation like funds to the capital of the subsidiaries, with the rates applicable for the relevant dates.

There are no foreign currency unconsolidated participations or subsidiaries.

XI- Originated Loans and Receivables and Provisions for Loan Impairment

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

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

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

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

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

Loan losses released are recorded in the "Provision and Diminishing in Value Expense – Provision Expense" account as income. Foreign currency indexed loans are recorded at the Turkish Lira equivalent values prevailing at the recording dates and the foreign currency exchange gains generated from these loans are recorded as the interest income.

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

XII- Goodwill and Other Intangible Fixed Assets

The positive difference which totals to TL 421 (2002 – TL 421), between the cost of TEB Factoring and the Parent Bank's share in its equity is reflected under the intangible fixed assets as goodwill in the accompanying consolidated financial statements after deducting the accumulated amortization amounting to TL 337 (2002 – TL 253). The negative difference amounting to TL 649, between the cost of TEB Leasing and the parent Bank's share in its equity, generating from the changes at the parent Bank's participation structure has been reflected in the 2002 statement of income in accordance with effective application date of AAR.

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

Major group classified as other intangible fixed assets by the Parent Bank is 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. Soft wares mainly used are developed within the Parent Bank by the Bank's personnel, and the expenses regarding these are not capitalized. Software is purchased only in emergency cases and for special projects.

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

XIII- Tangible Fixed Assets

Buildings are reflected to the financial statements at their restated costs and reserve for impairment is provided, if any. In accordance with the Communiqué No:14, buildings are valued by real estate expertise companies and the expertise value is close to the restated costs at December 31, 2003. The straight-line method for depreciation is used and economical life is accepted to be 50 years.

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

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

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

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

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

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

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

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 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. Rent payments consist of financing costs generated due to leasing, and the amount of the leased asset corresponding to the relevant period. The financing cost resulting from leasing is distributed through the agreement period to form a fixed interest rate.

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

XV- Provisions and Contingent Liabilities

The provisions and contingent liabilities are determined in accordance with the Communiqué No:8 of AAR, except for the general and specific provisions set for the loans and other receivables. Liabilities generated from previous events are recorded by the Group immediately at the estimated amounts. The Parent Bank did not provide any additional provision for contingent liabilities as of December 31, 2003 apart from the doubtful receivable provision and general provision set in accordance with the related regulations. In addition, the Group did not provide any additional provision for any contingent liabilities as well.

XVI- Liabilities Regarding Employee Benefits

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

The Group has no employees contracted for determined periods.

As of December 31, 2003 and 2002, the arithmetical average 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 Parent Bank's consolidated participations and subsidiaries provided full reserve for retirement pay for the eligible personnel as of December 31, 2003 and 2002.

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

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

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

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.

Effective from April 24, 2003, investment incentive certificates will not be required to utilize an investment deduction in calculating the corporate income tax base. No withholding taxes will apply to the investment deduction; however the deduction will be limited to 40%. Investment deductions made as a result of holding investment incentive certificates for which application was made prior to April 24, 2003, and unused investment deductions carried forward from previous periods due to insufficient taxable profits, will be subject to a 19.8% withholding tax. Where, however, investment certificates were obtained based on applications made prior to April 24, 2003, an exemption from this withholding tax is available if written notification was made to the tax authorities before May 15, 2003. In this case the investment deduction will be limited to 40%. With the Law No. 5024 published on December 30, 2003, tax-paying corporations which did not notify the tax authorities were given right to make a notification until the filing date of first quarterly temporary tax return subsequent to the date Law No. 5024 became effective which is January 1, 2004.

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).

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 .

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

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.

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

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 Parent Bank.

The Group has not issued convertible bonds .

XIX- Paid-in Capital and Share Certificates

The Parent Bank does not have any costs regarding share issuance. 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 likely commitments of the Group in off-balance sheet accounts.

There are no acceptances of the Group presented as liabilities against any assets.

XXI- Government Incentives

There are no government incentives utilized by the Group.

XXII- Securities at Custody

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

XXIII- Impairment of Assets

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

XXIV- Segment Reporting

Segment reporting will be made effective January 1, 2004.

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

XXV- Other Matters

Explanation for convenience translation to English:

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

There are no other issues required need 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 CONSOLIDATED 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 Group 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 Group'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 Group aims to generate a positive margin between the financing cost and product income and to prevent maturity mismatch.

As a part of the Parent Bank's risk management strategy, any kind of risk creating position exceeding the limits given by board of directors generated from short-term exchange rate, interest and price movements are tried to be kept minimal at the Bank's treasury transactions. The Parent 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 Parent Bank, the main activity generating profits over the expected average yield are marketable securities transactions.

Parent Bank's 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 Parent 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 Parent 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 investment in foreign entities are established by spots and foreign currency forward transactions similar to other foreign currency transactions, in accordance with the Parent Bank's general strategy to hedge foreign currency positions within legal limitations.

II- Consolidated Capital Adequacy Standard Ratio

The method used for risk measurement for capital adequacy standard ratio is performed in accordance with the Communiqué on "Measurement and Assessment of Banks Capital Adequacies", which was published on January 31, 2002 in the Official Gazette numbered 24657. The consolidated capital adequacy ratio of the Parent Company Bank, calculated in accordance with the Communiqué on "Measurement and Assessment of Banks Capital Adequacies" is 15.21% (2002 – 16.75%).

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

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

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

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:

	Consolidated				Parent Bank			
	Risk Weight				Risk Weight			
	0%	20%	50%	100%	0%	20%	50%	100%
Risk weigh. assets, commitments and non-cash loans								
Balance Sheet items (Net)	1,480,860	746,518	231,115	1,641,917	1,235,278	173,796	80,735	1,077,189
Cash	65,773	-	-	-	65,670	-	-	-
Due from Groups	514,016	746,352	-	84,572	514,016	173,630	-	2,065
InterGroup money market placements	431,091	-	-	-	431,091	-	-	-
Receivables from reverse repo transactions	2,507	-	-	-	-	-	-	-
Reserve deposits	147,928	-	-	-	147,928	-	-	-
Special finance houses	-	-	-	-	-	-	-	-
Loans	280,459	-	69,454	1,476,112	51,895	-	69,454	1,038,010
Loans under follow-up (Net)	-	-	-	8,471	-	-	-	8,471
Subsidiaries, associates and HTM investments	-	-	-	-	-	-	-	-
Miscellaneous receivables	-	-	-	2,356	-	-	-	376
Marketable securities held to maturity (Net)	5,979	-	-	-	1,743	-	-	-
Advances for assets acquired by financial leasing	-	-	-	-	-	-	-	-
Financial lease receivables	-	-	149,754	-	-	-	-	-
Leased assets (Net)	-	-	11,907	-	-	-	11,281	-
Fixed assets (Net)	-	-	-	28,917	-	-	-	18,720
Other assets	33,107	166	-	41,489	22,935	166	-	9,547
Off balance sheet items	308,195	512,267	270,462	43,079	299,735	467,799	253,131	42,544
Guarantees and pledges	22,549	502,125	92,617	24,656	18,145	460,198	76,944	26,252
Commitments	278,799	2,498	176,538	-	278,799	-	176,187	-
Other off balance sheet items	-	-	-	-	-	-	-	-
Transactions related with derivative financial instruments	-	-	-	3,324	-	-	-	4,011
Interest and income accruals	6,847	7,899	1,307	14,291	2,791	7,601	-	12,281
Non risk weighted accounts	-	-	-	-	-	-	-	-
Total Assets Subject to Risk	1,789,055	1,259,040	501,577	1,684,187	1,535,013	641,595	333,866	1,119,733
Total Risk Weighted Assets		- 251,808	250,789	1,684,187		- 128,319	166,933	1,119,733

Summary information related to the capital adequacy ratio:

	Consolidated		Parent Bank	
	Current Period	Prior Period	Current Period	Prior Period
Total Risk Weighted Assets (*)	2,212,254	1,865,365	1,439,691	1,256,545
Shareholders' Equity	336,454	312,506	214,223	193,493
Shareholders' Equity / Total risk weighted assets (CAR (%))	15.21%	16.75%	14.88	15.40

(*) The above mentioned amounts consist of base amounts of the market risk which are TL 26,086 and TL 24,706 as consolidated and as for the Parent Bank basis, respectively, for the current period and TL 57,253 and TL 22,418 TL for the previous 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 CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2003 AND 2002 (Continued)
(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

Information related to the shareholders' equity components :

	Consolidated		Parent Bank	
	Current Period	Prior Period	Current Period	Prior Period
MAIN CAPITAL				
Paid-in Capital	55,125	55,125	55,125	55,125
Nominal capital	55,125	55,125	55,125	55,125
Capital commitments (-)	-	-	-	-
Effect on Inflation Accounting on Share Capital	214,998	214,998	214,998	214,998
Share Premium	-	-	-	-
Legal Reserves	10,590	11,691	2,442	-
First legal reserve (Turkish Commercial Code 466/1)	7,989	5,025	938	-
Second legal reserve (Turkish Commercial Code 466/2)	-	-	1,504	-
Other legal reserve per special legislation	2,601	6,666	-	-
Statute Reserves	-	-	-	-
Extraordinary reserves	-	-	-	-
Reserves allocated by the General Assembly	-	-	-	-
Retained earnings	-	-	-	-
Accumulated loss	-	-	-	-
Foreign currency share capital exchange difference	-	-	-	-
Profit	48,367	29,621	53,227	21,095
Current period profit	48,367	29,621	50,902	21,095
Prior period profit	-	-	2,325	-
Loss (-)	(8,774)	(19,709)	-	-
Current period loss	-	-	-	-
Prior period loss	(8,774)	(19,709)	-	-
Total Main Capital	320,306	291,726	325,792	291,218
SUPPLEMENTARY CAPITAL				
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	7,886	6,942
Provisions for Possible Losses	-	-	-	-
Subordinated Loans	20,899	28,025	20,899	28,025
Marketable Securities and Investment Securities Value Increase Fund	162	229	111	229
Associates and subsidiaries	162	229	111	229
Available for sale securities	-	-	-	-
Structured positions	-	-	-	-
Total Supplementary Capital	28,947	35,196	29,480	35,196
TIER III CAPITAL	-	-	-	-
CAPITAL	349,253	326,922	355,272	326,414
DEDUCTIONS FROM THE CAPITAL	12,799	14,416	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	892	890	131,234	121,708
Leasehold improvements	7,898	8,599	6,663	7,270
Start-up costs	-	-	-	-
Prepaid expenses	3,925	4,759	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 Groups which operate in Turkey	-	-	-	-
Goodwill (Net)	84	168	-	-
Capitalized expenses	-	-	-	-
Total Shareholder's Equity	336,454	312,506	214,223	193,493

III- Consolidated Credit Risk

Credit risk represents the risk generating from the Bank's 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.

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

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 Group'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 Group 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 Parent 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 additional follow up methodology is developed, except as stated in the regulations.

Foreign country and institution risks of the Parent Bank are generally determined for foreign countries and institutions, which are considered at the investment level, in other words, which are stated as 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 Parent Bank is considered.

The Parent 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 Group is TL 727,119 (2002- TL 777,479) and the percentage to the total loan portfolio is 42.50% (2002- 52.14%).

As of December 31, 2003, the total balance of the top 100 non-cash loan clients of the Group is TL 439,156 (2002- TL 525,552) and the percentage to the total non-cash loan portfolio is 36.27% (2002- 49.22 %).

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 39.92% (2002- 26.69%).

As of December 31,2003, general provision for loans set by the Parent Bank amounted 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 CONSOLIDATED 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
Current Period					
Domestic	3,395,377	2,307,381	1,092,349	892	42,164
European Union Countries	458,100	332,784	31,399	-	6,203
OECD Countries (*)	86,317	41,694	4,884	-	-
Off-shore Banking Regions	56,918	286,194	4,872	-	-
USA, Canada	184,170	171,365	7,090	-	-
Other Countries	105,630	802,642	69,690	-	-
Unallocated Assets/liabilities(**)	-	-	-	-	-
Total	4,286,512	3,942,060	1,210,284	892	48,367
Prior Period					
Domestic	3,174,019	2,127,725	938,554	890	16,661
European Union Countries	351,159	1,553,860	144,914	-	12,960
OECD Countries (*)	86,567	16,287	-	-	-
Off-shore Banking Regions	107,259	44,897	-	-	-
USA, Canada	433,195	130,273	-	-	-
Other Countries	67,972	34,134	1,316	-	-
Unallocated Assets/liabilities(**)	-	-	-	-	-
Total	4,220,171	3,907,177	1,084,784	890	29,621

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

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

Sectoral Breakdown of Cash Loans :

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	13,524	2.45	67,127	5.79	8,084	2.00	76,412	7.04
Farming and raising livestock	9,522	1.72	26,965	2.33	2,946	0.73	4,756	0.44
Forestry	4,002	0.73	39,686	3.42	5,084	1.26	71,656	6.60
Fishing	-	0.00	476	0.04	54	0.01	-	0.00
Manufacturing	347,237	62.94	645,597	55.69	215,409	53.18	448,762	41.33
Mining	20,090	3.64	5,077	0.44	22,524	5.56	169,833	15.64
Production	321,930	58.35	640,387	55.24	192,572	47.54	269,252	24.80
Electric, gas and water	5,217	0.95	133	0.01	313	0.08	9,677	0.89
Construction	14,286	2.59	15,966	1.38	10,409	2.57	18,831	1.73
Services	107,770	19.53	391,264	33.75	131,817	32.55	473,881	43.64
Wholesale and retail trade	39,693	7.19	112,326	9.69	45,089	11.12	172,058	15.84
Hotel, food and beverage services	2,833	0.52	6,010	0.52	1,702	0.42	1,133	0.10
Transportation and telecommunication	13,235	2.40	77,382	6.68	10,761	2.66	42,374	3.90
Financial institutions	43,388	7.86	188,299	16.24	65,605	16.20	256,790	23.66
Real estate and renting services	4,480	0.82	1,921	0.17	79	0.02	-	0.00
Self-employment services	1,296	0.23	86	0.01	3,834	0.95	589	0.05
Education services	292	0.05	4,576	0.38	709	0.18	-	0.00
Health and social services	2,553	0.46	664	0.06	4,038	1.00	937	0.09
Other	68,905	12.49	39,322	3.39	39,303	9.70	68,040	6.26
Total	551,722	100.00	1,159,276	100.00	405,022	100.00	1,085,926	100.00

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

IV- Consolidated Market Risk

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

The Board of Directors of the Parent Bank evaluates basic risks than can be exposed to and determines limits accordingly. Those limits are revised periodically in line with the strategies of the Parent 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 Group related to balance sheet and off-balance sheet accounts are measured and while calculating the capital adequacy, the amount subject to VAR is taken into consideration by the standard method. Scenario analysis and stress tests are used additionally in market risk computations and reported to senior management.

	Consolidated	Parent Bank
Capital to be employed for interest rate risk – standard method	604	243
Capital to be employed for general market risk	602	243
Capital to be employed for specific risk	2	-
Capital to be employed for options subject to interest rate risk	-	-
Capital to be employed for common stock position risk – Standard method	-	-
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	1,483	1,733
Capital liability	1,483	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	2,087	1,976
Amount subject to market risk	26,086	24,706

V- Consolidated 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 Parent Bank are taken into consideration and is calculated by using the standart metod.

The Board of Directors of the Parent Bank 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 Group's risk management strategies, foreign currency liabilities are hedged against exchange rate risk by derivative instruments.

The Board of Directors of the Parent Bank determines the short position limits that the Bank can hold in accordance with the current legal limitations. The Treasury Department of the Parent 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 Parent Bank's Asset-Liability Committee.

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

As of December 31, 2003, the Group's net long position is TL 35,757 (2002- TL 24,629 net short position) resulting from long position amounting to TL 22,847 (2002- TL 65,750 short position) on the balance sheet and long position amounting to TL 12,910 (2002- TL 41,121) from off-balance sheet position.

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

	24/12/03	25/12/03	26/12/03	29/12/03	30/12/03	31/12/03
USD	1,420,989	1,412,533	1,407,555	1,407,678	1,395,835	1,393,278
CHF	1,129,003	1,129,656	1,126,035	1,124,781	1,116,749	1,125,526
GBP	2,509,310	2,504,968	2,494,171	2,497,342	2,476,610	2,485,862
JPY	13,214	13,147	13,129	13,137	13,026	13,005
EUR	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 Group for the thirty days before the balance sheet date is as follows:

	Monthly Average FX rates
USD	1,426,420
CHF	1,125,890
GBP	2,496,604
JPY	13,211
EUR	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 CONSOLIDATED 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 Group:

Current Period	EUR	USD	YEN	OTHER FC	TOTAL
Assets					
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	39,515	605,603	44	2,128	647,290
Due from other banks and financial institutions	89,111	689,839	186	30,887	810,023
Trading securities	6,672	5,384	-	1,122	13,178
Investment securities available-for-sale	-	-	-	-	-
Loans (**)	299,496	939,086	-	18,146	1,256,728
Investments in subsidiaries and participations	-	-	-	-	-
Investment securities held-to-maturity	-	5,540	-	-	5,540
Property and equipment	6,353	-	-	-	6,353
Goodwill	-	-	-	-	-
Other assets(**)	129,262	63,052	-	13,381	205,695
Total Assets	570,409	2,308,504	230	65,664	2,944,807
Liabilities					
Bank deposits	3,664	25,959	12	43,490	73,125
Foreign currency deposits (*)	307,041	1,885,027	1,816	46,982	2,240,866
Funds provided from other financial institutions	78,401	444,268	-	20,794	543,463
Marketable securities issued	-	-	-	-	-
Miscellaneous payables	8,780	6,963	-	180	15,923
Other liabilities(**)	25,146	15,513	-	7,924	48,583
Total liabilities	423,032	2,377,730	1,828	119,370	2,921,960
Net Balance Sheet Position	147,377	(69,226)	(1,598)	(53,706)	22,847
Net Off-Balance Sheet Position	(98,920)	59,638	1,709	50,483	12,910
Financial derivative assets	73,480	176,964	1,709	66,149	318,302
Financial derivative liabilities	172,400	117,326	-	15,666	305,392
Non-cash loans(***)	217,144	570,307	10,053	33,564	831,068
Prior Period					
Total Assets (***)	533,424	2,621,326	21,782	115,778	3,292,310
Total Liabilities	470,589	2,771,740	920	114,811	3,358,060
Net Balance Sheet Position	62,835	(150,414)	20,862	967	(65,750)
Net Off-Balance Sheet Position	(118,317)	192,684	(20,603)	(12,643)	41,121
Non-cash loans(****)	201,767	547,363	4,831	28,957	782,918

(*) 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. Foreign currency indexed factoring receivables amounting to TL 9,030 are included in other assets and foreign currency indexed factoring payables amounting to TL 3,229 are included in other liabilities in the currency risk table of the Group.

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

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

VI- Consolidated Interest Rate Risk

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Parent 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 Parent 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 Group. 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 Parent Bank management follows the market interest rates daily and revises the interest rates of the Bank when necessary.

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

Since the Parent 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	Demand	Total
Current Period							
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	662,038	-	-	-	-	65,845	727,883
Due from Banks and other financial institutions	912,057	3,555	8,503	6,280	-	334,127	1,264,522
Trading securities	23,856	3,045	4,365	3,487	16,151	-	50,904
Securities available-for-sale	-	-	-	-	-	9	9
Loans	566,122	360,684	310,009	247,783	174,459	51,941	1,710,998
Securities held-to-maturity	44,872	37,654	4,578	114	4,236	-	91,454
Other assets	26,865	120,491	39,835	48,171	65,931	140,341	441,634
Total Assets	2,235,810	525,429	367,290	305,835	260,777	592,263	4,287,404
Liabilities							
Bank deposits	80,370	42,574	7,208	4,000	-	17,693	151,845
Other deposits	2,071,798	346,524	116,069	150,684	82,805	135,958	2,903,838
Miscellaneous payables	2,756	-	-	-	-	33,732	36,488
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	276,633	73,420	176,476	79,767	5,085	-	611,381
Other liabilities	18,539	67,414	6,626	1,663	582	489,028	583,852
Total Liabilities	2,450,096	529,932	306,379	236,114	88,472	676,411	4,287,404
Balance Sheet Interest Sensitivity Gap	(214,286)	(4,503)	60,911	69,721	172,305	(84,148)	-
Off Balance Sheet Interest Sensitivity Gap	-	-	(54)	-	-	-	(54)
Total Interest Sensitivity Gap	(214,286)	(4,503)	60,857	69,721	172,305	(84,148)	(54)

The other asset line at the without interest column consists of TL 48,410 amount tangible fixed assets, TL 3,987 of intangible fixed assets, TL 509 of participations and TL 383 of subsidiaries and the other liability line consists of equity total amounting to TL 320,468 and TL 24,876 amount minority interest.

	Up to 1 Months	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Demand	Total
Prior Period							
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	540,888	-	-	-	-	99,139	640,027
Due from Banks and other financial institutions	1,541,745	17,017	12,627	3,042	-	75,998	1,650,429
Trading securities	2,881	32,648	12,674	7,722	808	310	57,043
Securities available-for-sale	-	19,206	-	-	-	10	19,216
Loans	457,211	288,013	342,611	176,223	226,890	5,654	1,496,602
Securities held-to-maturity	237	41,418	1,757	1,479	255	-	45,146
Other assets	6,211	92,277	16,863	26,114	35,858	135,275	312,598
Total Assets	2,549,173	490,579	386,532	214,580	263,811	316,386	4,221,061
Liabilities							
Bank deposits	116,006	2,998	1,139	-	-	-	120,143
Other deposits	2,551,173	184,866	60,385	93,482	186,904	-	3,076,810
Miscellaneous payables	-	-	-	-	-	68,159	68,159
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	38,236	225,800	85,182	115,217	11,247	-	475,682
Other liabilities	3,065	39,022	1,233	265	-	436,682	480,267
Total Liabilities	2,708,480	452,686	147,939	208,964	198,151	504,841	4,221,061
Balance Sheet Interest Sensitivity Gap	(159,307)	37,893	238,593	5,616	65,660	(188,455)	-
Off Balance Sheet Interest Sensitivity Gap	-	-	-	-	-	-	-
Total Interest Sensitivity Gap	(159,307)	37,893	238,593	5,616	65,660	(188,455)	-

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

The other asset line at the without interest column consists of TL 48,253 amount tangible fixed assets, TL 4,431 of intangible fixed assets, TL 505 of participations and TL 385 of subsidiaries and the other liability line consists of equity total amounting to TL 291,955 and TL 21,929 amount minority interest.

Average interest rates applied to monetary financial instruments:

	EURO %	USD %	YEN %	TL %
Current Period				
Assets				
Cash (cash in vault, 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	2.42	0.95	-	26.68
Trading securities	7.87	8.81	-	26.25
Securities available-for-sale	-	-	-	-
Leasing receivables	11.25	12.23	-	41.08
Factoring receivables	6.02	6.50	-	35.08
Loans	5.58	4.85	-	31.17
Securities held-to-maturity	-	5.00	-	33.36
Liabilities				
Bank deposits	2.60	2.50	-	27.25
Other deposits	3.41	2.32	-	26.93
Miscellaneous payables	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	4.99	3.42	-	26.06

VII- Consolidated Liquidity Risk

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

Liquidity risk may occur when the market penetration is not 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 Groups'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 Parent Bank continuously determines standards for the liquidity ratios, and controls them.

According to the general policies of the Group, 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 Group pays special attention not to take maturity risk, and no banking service is marketed when the price is lower than the financing cost.

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

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

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
Assets						
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and Balances with the Central Bank of Turkey	727,883	-	-	-	-	727,883
Due from Banks and other financial institutions	1,245,327	3,555	8,503	7,137	-	1,264,522
Trading securities	1,620	2,369	4,365	4,090	38,460	50,904
Securities available-for-sale	-	-	-	-	9	9
Loans	618,063	359,146	310,009	247,783	175,997	1,710,998
Securities held-to-maturity	1,743	37,654	4,578	114	47,365	91,454
Other assets(***)	80,373	134,836	42,301	51,184	66,394	441,634
Total Assets	2,675,009	537,560	369,756	310,308	328,225	4,287,404
Liabilities						
Bank deposits	98,063	42,574	7,208	4,000	-	151,845
Other deposits	2,207,752	346,527	116,070	150,684	82,805	2,903,838
Funds provided from other financial institutions	39,950	112,963	72,305	287,872	98,291	611,381
Marketable securities issued	-	-	-	-	-	-
Miscellaneous payables	30,337	1,722	-	4,429	-	36,488
Other liabilities(***)	84,212	69,655	13,017	4,885	11,043	583,852
Total Liabilities	2,460,314	573,441	208,600	451,870	192,139	4,287,404
Net Liquidity Gap	214,695	(35,881)	161,156	(141,562)	136,086	-
Prior Period						
Total Assets	2,809,197	434,883	386,090	214,465	322,839	4,221,061
Total Liabilities	3,133,941	337,620	156,363	310,940	282,195	4,221,061
Net Liquidity Gap	(324,744)	97,263	229,727	(96,475)	40,644	-

(*) 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 53,289 of TL 66,546 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 320,468 and minority interest amounting TL24,876.

(***) Other assets consists of factoring receivables amounting to TL 97,699 of TL115,027 and other liabilities consists of factoring payables amounting to TL 58,571 of TL 64,601 under the 1-3 months column.

VIII- Fair Values of 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.

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

	Book Value (*)		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	1,364,117	1,716,107	1,365,031	1,715,194
Due from banks and other financial institutions	1,272,181	1,650,429	1,272,181	1,650,429
Securities available-for-sale	9	19,623	9	19,623
Securities held-to-maturity	91,927	46,055	92,841	45,142
Financial Liabilities	3,743,826	3,787,710	3,740,665	3,776,745
Interbank money market deposits	153,979	120,748	153,779	120,362
Other deposits	2,919,778	3,092,304	2,916,817	3,083,105
Funds provided from other financial institutions (**)	633,581	506,499	633,581	505,119
Marketable securities issued	-	-	-	-
Miscellaneous payables	36,488	68,159	36,488	68,159

(*) 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- Fiduciary Transactions

The Group makes purchases from adjudications in the account of the clients, and gives keeping, management and consultancy services. The Group has no fiduciary transactions.

X- Segment Reporting

Apart from the corporate, commercial, retail and private banking services, the Group also provides its clients with treasury, financial leasing, factoring, insurance, asset management, and brokerage services.

Accordingly, the Group operates in private client current accounts, deposit accounts, products enabling long term investments, exchange and custody services, credit and debit cards, consumer loans and long term housing loans and other private banking service areas, and additionally it supports its operations by products at international banking and asset management areas.

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

Group provides following services ;

- International banking, corporate and private banking activities through the Parent Bank and Economy Bank established in the Netherlands,
- Financial leasing services to the corporate or the commercial customers are provided through TEB Leasing,
- Capital market brokerage activities, marketable security buy and sell activities for Turkish, international companies and individual investors are provided through TEB Yatirim,
- Domestic and international factoring activities are provided through TEB Factoring,
- All insurance activities except life insurance are provided through TEB Sigorta,
- Fund management activities are provided through TEB Portfoy.

The Group does not operate in investment banking, corporate financing and data processing sectors.

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.S.
NOTES TO CONSOLIDATED 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

FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS

I. Footnotes and Explanations Related to the Consolidated Assets

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

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	15,193	-	19,058	-
Treasury bills	-	-	6,461	-
Other debt securities	-	-	-	-
Group bonds and Group guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	15,193	-	25,519	-

3. Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union countries	352,761	253,542	-	-
USA and Canada	129,670	430,053	-	-
OECD Countries(*)	47,166	86,181	-	-
Off-shore banking regions	40,921	107,336	-	-
Other	43,657	67,595	-	-
Total	614,175	944,707	-	-

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

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

4. Information on reverse repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions				
Central Bank of Turkey	-	-	2,942	-
Banks	2,507	-	5,092	-
Brokerage Firms	-	-	-	-
Other financial institutions	-	-	-	-
Other institutions	-	-	-	-
Real persons	-	-	-	-
From foreign transactions				
Central Bank of Turkey	-	-	-	-
Banks	-	-	-	-
Brokerage Firms	-	-	-	-
Other financial institutions	-	-	-	-
Other institutions	-	-	-	-
Real persons	-	-	-	-
Total	2,507	-	8,034	-

5. Information on available for sale portfolio:

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

	Current Period	Prior Period
Debt securities	-	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 (-)	-	-
Total	9	19,216

- 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	64,907	1,346	115,057	7,668
Corporate shareholders (*)	64,907	1,346	115,057	7,668
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	1,008	14	858	-
Total	65,915	1,360	115,915	7,668

(*) Loans granted to shareholding entities amounting to TL 64,201 (2002: TL 114,381) are cash collateral 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 CONSOLIDATED 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 about the first and second group loans and other receivables including loans that have been restructured or rescheduled:

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Non-specialized loans	1,706,391	-	552	4,055
Discount notes	58,420	-	-	-
Export loans	559,479	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	163,911	-	-	-
International loans	172,751	-	-	-
Consumer loans	38,225	-	-	-
Credit cards	18,203	-	-	-
Precious metals loans	13,394	-	541	-
Other	682,008	-	11	4,055
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Total	1,706,391	-	552	4,055

- 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	Cash Loans	Loans and Other Receivables
Short-term loans	1,345,590	-	552	1,326
Non-specialized loans	1,345,590	-	552	1,326
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long-term loans	360,801	-	-	2,729
Non-specialized loans	360,801	-	-	2,729
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Total	1,706,391	-	552	4,055

- d) Information on consumer loans:

	Short Term	Medium and Long Term	Interest Income	
			Total	Accrual
Consumer loans-TL	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
Consumer loans- Indexed to FC	14,060	-	14,060	81
Real estate loans	2,709	-	2,709	12
Automotive loans	10,517	-	10,517	57
Consumer loans	774	-	774	12
Personnel loan	60	-	60	-
Other consumer loans	-	-	-	-
Credit cards	18,203	-	18,203	159
Total Consumer Loans	45,242	11,186	56,428	989

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

e) Loans according to type of borrowers :

	Current Period	Prior Period
Public	7,055	31,038
Private	1,703,943	1,459,910
Total	1,710,998	1,490,948

f) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	1,538,247	1,384,470
Foreign loans	172,751	106,478
Total	1,710,998	1,490,948

g) Loans granted to subsidiaries and investments: None.

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	205
Uncollectible loans and receivables	14,338	17,145
Total	15,944	17,422

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:

	III. Group	IV. Group	V. Group
	Loans and	Loans and	Uncollectible loans
	receivables with	receivables with	and receivables
	limited collectibility	doubtful	
		collectibility	
(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	Loans and	Uncollectible loans
	receivables with	receivables with	and receivables
	limited collectibility	doubtful	
		collectibility	
Prior period end balance	1,039	410	21,627
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 (-)	-	-	76
Indexation difference (-)	119	46	2,491
Current period end balance	2,289	3,304	18,822
Specific provision (-)	128	1,478	14,338
Net Balances on Balance Sheet	2,161	1,826	4,484

i.3) Information on foreign currency loans and other receivables under follow-up: 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 CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2003 AND 2002 (Continued)
(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

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

The loans and other receivables decided to be uncollectible are written off from the assets according to the Tax Law by the decision of the top management in accordance with the “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” related to the clause 12 of article 11 and clause 11 of the article 3 of the Group 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:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short term	89,955	24,405	47,742	28,091
Medium and Long Term	-	667	-	-
Total	89,955	25,072	47,742	28,091

The foreign currency indexed factoring receivables amounting to TL 9,030 is classified under TL factoring receivables.

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

a) Information on held to maturity portfolio:

	Current Period	Prior Period
Debt securities	91,454	45,146
Quoted in a stock exchange	87,218	45,146
Not quoted	4,236	-
Provision for impairment (-)	-	-
Total	91,454	45,146

b) Movement of held to maturity portfolio :

	Current Period	Prior Period
Beginning balance	45,146	101,002
Effect of inflation (-)	5,685	23,890
Foreign currency differences on monetary assets	-	6,020
Purchases during year	55,766	45,146
Disposals through sales and redemptions	(3,773)	(83,132)
Impairment provision	-	-
Closing Balances	91,454	45,146

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

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

	Current Period				Prior Period			
	Historical Cost		Valuation		Historical Cost		Valuation	
	TL	FC	TL	FC	TL	FC	TL	FC
Held to Maturity Portfolio								
Given as collateral or blocked	84,171	1,304	84,462	1,383	41,910	-	42,744	-
Subject to repo transactions	-	-	-	-	-	-	-	-
Held for structural position	-	-	-	-	-	-	-	-
Receivables from securities lending	-	-	-	-	-	-	-	-
Other (*)	1,743	4,236	1,806	4,276	-	3,236	-	3,313
Collaterals on securities lending	-	-	-	-	-	-	-	-
Closing Balances	85,914	5,540	86,268	5,659	41,910	3,236	42,744	3,313

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

c.2) Marketable securities held to maturity given as collateral consist of public sector debt securities of TL 85,475 (2002-TL 41,910), 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	84,171	1,304	41,910	-
Other	-	-	-	-
Total	84,171	1,304	41,910	-

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

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

9. Information on investments (Net):

a.1) Information on unconsolidated participations:

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

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

Total Assets	Total Equity	Total Fixed Assets	Interest Income	Marketable Securities Income	Current Period Income/Loss	Prior Period Income/Loss	Fair Value
1,890	1,819	6	21	-	449	55	1,455

(*) The financial statements of Varlık Yatırım Ortaklığı A.Ş. are prepared in accordance with the Capital Market Board . 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.

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

- a.3) Out of Group members / shareholders who has the control power with the parent company and/or other members of the financial group are explained: 66% shares of the unconsolidated participation Varlık Yatırım Ortaklığı A.S. is publicly traded.
- a.4) The reason for not consolidating the unconsolidated participations and the method of recording the unconsolidated participations at the Parent Bank's financials: The participation is not consolidated due to materiality principle, is quoted at the stock exchange and is valued by fair value.
- b) Information on the consolidated participations:

- b.1) Information on the consolidated participations:

	Current Period	Prior Period
Balance at the beginning of the period	6,062	4,854
Movements during the period	3,359	1,208
Purchases	-	765
Free shares obtained profit from current year's share	-	443
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Provision for impairment	-	-
Balance at the end of the period	9,421	6,062
Capital commitments	-	-
Share percentage at the end of the period (%)	%50.00	%50.00

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

	Current Period	Prior Period
Valuation with cost	9,421	6,062
Valuation with fair value	-	-
Valuation with equity method	-	-
Total	9,421	6,062

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

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

Subsidiaries	Current Period	Prior Period
Insurance companies/TEB Sigorta	9,421	6,062
Total	9,421	6,062

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

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

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

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

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

Information related to investments that are included in consolidation as presented in table 9. b.5) (*):

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair Value
32,006	12,129	3,658	407	(161)	(2,977)	582	-

(*) The financial statements of TEB Sigorta is prepared in accordance with the principles of Insurance Law and the current year data is stated as of December 31, 2003 and the previous period data is stated as of December 31, 2002 by their nominal values.

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

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

10. Information on Subsidiaries (Net):

a) Information on unconsolidated subsidiaries:

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

a.1) Information on unconsolidated subsidiaries:

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

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

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income)	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair Value
210	204	-	-	-	(68)	40	-

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

b) Information on the consolidated subsidiaries

b.1) Information on the consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	127,075	113,052
Movements during the period	6,535	14,023
Purchases	142	7,835
Free shares obtained profit from current year's share	11,775	5,150
Dividends from current year income	-	-
Sales	-	-
Revaluation increase (*)	(5,382)	1,038
Provision for impairment	-	-
Balance at the end of the period	133,610	127,075
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 CONSOLIDATED 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 made to the consolidated subsidiaries:

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

	Current Period	Prior Period
Valuation with cost	133,610	127,075
Valuation with fair value	-	-
Valuation with equity method	-	-

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

	Current Period	Prior Period
Banks / Economy Bank	52,725	48,964
Other Financial Sub. / Petek International	790	882
TEB Yatirim	30,516	27,532
TEB Portfoy	3,297	3,297
Leasing Companies / TEB Leasing	28,570	28,570
Factoring Companies / TEB Factoring	17,712	17,830
Total	133,610	127,075

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

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

Description	Address (City / Country))	Group's share percentage-If different voting percentage(%)	Group's risk group share percentage (%)	Method of Consolidation
Economy Bank	The Netherlands	100.00	-	Full
Petek International	The Netherlands	100.00	-	Full
TEB Yatirim	Istanbul/Turkey	74.80	25.20	Full
TEB Leasing	Istanbul/Turkey	68.76	31.24	Full
TEB Factoring	Istanbul/Turkey	69.40	30.60	Full
TEB Portfoy	Istanbul/Turkey	55.89	44.11	Full

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

Total Assets (*)	Shareholder' 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	3,183	2,983	-
247,698	55,608	150,104	1,496	64	24,859	4,141	-
75,508	8,225	176	13,103	-	1,550	500	-
5,425	4,475	606	914	211	1,692	876	-

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

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

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

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

11. Information on other investments: None.

- a) The obligations of the Group relating to the joint ventures, 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
- b) Information on joint ventures : None.
- c) The Group 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.
- d) 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 Group is explained: Not applicable.

12. Information on financial lease receivables (Net):

- a) Aging of leasing receivables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	101,444	88,871	72,459	63,332
Between 1-4 years	66,657	60,883	33,626	31,604
Over 4 years	18	-	4,363	1,968
Total	168,119	149,754	110,448	96,904

- b) Information on net lease receivables:

	Current Period	Prior Period
Gross lease receivable	168,119	110,448
Unearned finance income	(18,365)	(13,544)
Cancelled lease agreements (-)	-	-
Net Investment on Financial Lease	149,754	96,904

- 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.

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

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	9,385	8,027	10,389	11,185
Loan commissions and other income accruals - due	-	-	-	-
Loan commissions and other income accruals - not due	20	6	13	1
Total	9,745	8,033	10,662	11,186

b) Information on other interest and income accruals :

Other interest and income accruals	Current Period		Prior Period	
	TL	FC	TL	FC
Trading securities	1,122	375	3,959	128
Securities available for sale	-	-	-	407
Securities held to maturity	1,603	119	834	77
Interest accruals of reverse repo transactions	1	-	-	-
Interest accruals of reserve deposits	1,516	157	1,048	281
Income accruals of financial derivative instruments	1,145	3,251	4,256	359
Interest and income accruals	7	16	-	-
Income accrual of foreign exchange gains	1,138	3,235	4,256	359
Income accruals of financial lease income	25	1,282	150	685
Other	9,274	209	6,520	607
Total	14,686	5,393	16,767	2,544

15. Information on fixed assets (Net) :

	Land and buildings	Leased fixed assets	Vehicles	Other tangible fixed assets	Total
Prior Period End :					
Cost	12,504	36,680	6,214	54,748	110,146
Accumulated depreciation(-)	3,225	20,939	3,364	34,365	61,893
Net book value	9,279	15,741	2,850	20,383	48,253
Current Period End :					
Net book value-beginning of period	9,279	15,741	2,850	20,383	48,253
Additions	1,877	1,386	1,093	11,430	15,786
Disposals(-)	-	-	92	2,044	2,136
Impairment	-	-	-	-	-
Depreciation (-)	257	5,220	1,098	6,869	13,444
Curr. Trans. diff. result.from foreign inv.	-	-	3	46	49
Net book value-end of period	10,899	11,907	2,750	22,854	48,410

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.

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

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	12,366	11,129
Accumulated Depreciation	(8,379)	(6,698)
Total	3,987	4,431

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

	Current Period
Beginning balance	4,431
Amounts formed internally	27
Additions due to mergers, transfers and acquisitions	1,222
Not used and disposed items	-
Increases or decreases in the revaluation fund	-
Impairment charges	-
Reversal of impairment charges	-
Depreciation expenses (-)	1,681
Currency translation differences arising from foreign investments	(12)
Other differences in book values	-
Period end balance	3,987

- e) Disclosures for book value, description and remaining depreciation period 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 value at the initial recognition : None.
- h) The book value of intangible fixed assets that are pledged or restricted for use : None.
- i) Amount of purchase commitments for intangible fixed assets : None.
- j) Information on revalued intangible assets according to their types: None.
- 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:

Description	Cost	Depreciation	Goodwill
TEB Factoring	421	337	Positive

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

m) Information on goodwill:

	Current Period
Goodwill arising from consolidation	-
From tangible fixed assets	-
From intangible assets	-
From non-monetary assets	84
Goodwill arising from mergers and acquisitions	-
From tangible fixed assets	-
From intangible assets	-
From non-monetary assets	-

n) Reconciliation of movements on goodwill in the current period:

	Current Period
Gross value at the beginning of the period	421
Accumulated depreciation (-)	253
Impairment provision (-)	-
Movements within the period :	-
Additional goodwill	-
Corrections arising from the changes in value of assets and liabilities	-
Goodwill written off due to the end of an operation in current period or complete /partial sale of an asset (-)	-
Depreciation (-)	84
Impairment provision (-)	-
Reversal of impairment provision (-)*	-
Other differences occurred in the book value	-
Gross value at the end of the period	421
Accumulated depreciation (-)	337
Impairment provision (-)	-

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	5,031	2,328
Assets held for sale	312	-
Advances given	18	211
Prepaid rent expenses	515	469
Transaction cost related to financial liabilities	2,108	2,342
Prepaid taxes	32,977	12,297
Financial lease agreements in progress	4,641	1,593
Leasing premium receivable	19,308	15,118
Other	10,136	10,635
Total	75,046	44,993

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 CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2003 AND 2002 (Continued)
(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

II- Footnotes and Explanations Related to the Consolidated Liabilities

1. a) Information on maturity structure of deposits:

a.1) Current period :

	Demand	7 day Call			3-6 Month	6 Month-1 Year	1 Year and over
		Accounts Up to 1 month	1-3 Month				
Saving deposits	32,308	-	89,069	63,974	63,669	27,123	15,645
Foreign currency deposits	395,446	-	1,414,579	340,326	40,645	19,941	15,211
Residents in Turkey	373,992	-	541,367	332,760	39,188	19,079	14,476
Residents abroad	21,454	-	873,212	7,566	1,457	862	735
Public sector deposits	104	-	-	-	-	-	-
Commercial deposits	71,020	-	115,266	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	27,802	-	33,709	54,064	26,462	9,808	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	89	-	-	-	-	-	-
Foreign Bankss	14,099	-	33,709	54,064	26,462	9,808	-
Special finance houses	13,614	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total	567,690	-	1,654,135	509,553	177,781	115,268	31,256

a.2) Prior period:

	Demand	7 day Call			3-6 Month	6 Month-1 Year	1 Year and over
		Accounts Up to 1 month	1-3 Month				
Saving deposits	20,009	-	89,153	43,851	14,280	3,727	15,347
Foreign currency deposits	521,371	-	1,355,983	404,707	85,098	87,251	186,858
Residents in Turkey	447,253	-	561,970	349,358	33,672	8,055	384
Residents abroad	74,118	-	794,013	55,349	51,426	79,196	186,474
Public sector deposits	40	-	-	-	-	-	-
Commercial deposits	61,727	-	109,397	4,871	9,694	6	15
Other institutions deposits	37,325	-	489	16	9	1	-
Precious metals deposits	11,068	-	-	12,906	-	1,611	-
Interbank deposits	22,704	-	78,957	17,343	-	1,139	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	12,567	-	-	-	-	1,139	-
Foreign Bankss	10,137	-	78,957	17,343	-	-	-
Special finance houses	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total	674,244	-	1,633,979	483,694	109,081	93,735	202,220

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	-	719,435
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	-	-	-	-
Total	1,072,990	248,295	-	885,563

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

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

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

b.3) Saving deposits which are not under the guarantee of deposit insurance fund :

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

(*) In addition to the disclosed amount above, there are also saving deposits amounting to TL 13,468 in Economy Bank, one of the consolidated subsidiaries of the Parent Bank that is incorporated in Netherlands, that are not subject to the guarantee of deposit insurance fund.

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	-
Total	15,422	-	25,979	-

3. a) Information on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	67,918	439,588	40,257	307,345
Medium and long-term	-	82,976	-	100,055
Total	67,918	522,564	40,257	407,400

c) 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 48.16% (2002-71.24%) of the bank deposits and 77.16% (2002-86.68) of the other deposits of the Bank consists of foreign currency deposits.

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

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

b) Information on convertible bonds: None.

The explanation, if any correction made on convertibility rate : Not applicable

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

5. **Explanation on funds:** None

6. **Explanation on miscellaneous payables:**

	Current Period	Prior Period
Total amount of cash collateral obtained	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	844	-
Taxation of securities	1,872	2,241
Property tax	120	136
Banking Insurance Transaction Tax (BITT)	1,868	1,793
Foreign Exchange Transaction Tax	409	600
Value Added Tax Payable	109	50
Others(*)	3,285	1,866
Total	8,507	6,686

(*) 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	482	346
Social Security Premiums-Employer	606	467
Bank Social Aid Pension Fund Premium-Employer	-	8
Pension Fund Membership Fees and Provisions-Employee	1	-
Pension Fund Membership Fees and Provisions-Employer	2	-
Unemployment insurance-Employee	34	24
Unemployment insurance-Employer	64	49
Other	250	121
Total	1,439	1,015

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

9. Explanations on factoring payables:

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic	48,045	-	14,930	-
Short-term	48,045	-	14,930	-
Medium and long-term	-	-	-	-
Foreign	-	16,556	-	16,953
Short-term	-	16,556	-	16,953
Medium and long-term	-	-	-	-
Total	48,045	16,556	14,930	16,953

The foreign currency indexed factoring payables amounting to TL 3,229 is classified under TL factoring payables.

- 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.
- c) Explanation on financial lease obligations: None
- d) Footnotes and explanations regarding operational leases:

Except for the head-office and Izmir-Konak branch building, all branch premises of the Parent Bank and the premises of the subsidiaries are leased under operational leases. As of December 31, 2003, the operating lease expense, amounting to TL 10,427 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.

- d) 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	12,518	5,557	6,039	10,060
Accrued interest on funds borrowed	2,439	4,171	2,348	2,490
Accrued interest on bonds	-	-	-	-
Accrued interest on repurchase agreement transactions	14	-	32	-
Accrued interest on derivative fin. instr.	3,098	4,015	5,321	-
Accrued interest and expense	-	34	-	-
Foreign exchange losses accrued	3,098	3,981	5,321	-
Other interest and expense accruals	6,156	1,494	1,144	937
Total	24,225	15,237	14,884	13,487

(*) 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).

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

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	-	-
Total	7,886	6,942

b) Information on employee termination benefits and notice indemnity:

	5 PP	4 PP	3 PP	2 PP	Previous P.	Current P.
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	%3.96	%8.35
Ratio of reserve for Employee Termination Benefits and Notice Indemnity (*)	-	-	-	-	-	%8.35
Possible reserve for Employee Termination Benefits and Notice Indemnity	-	-	-	-	-	1,235

(*) 5-year actual payment rate.

As of December 31, 2003, TL 1,235 (2002-TL 1,055) of reserve for employee termination benefits and notice indemnity was reflected to the financial statements of Parent Bank corresponding to 8.35% of total liability of TL 14,791.

As of December 31, 2003, the Parent Bank provided a reserve of TL 251 (2002-TL 247) for the unused vacation periods constituting 8.35% of total liability.

The consolidated subsidiaries have calculated reserve for employee termination benefits and notice indemnity in accordance with the regulations they apply, and reflected an amount of TL 1,126 (2002-TL 940) into their financial statements as of December 31, 2003.

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 :

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

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

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

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

The Parent 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 Group'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

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 Group if so, amount of registered share capital ceiling :

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

- c) Information on share capital increases and their sources; other information on increased capital shares in current period: None
- d) Information on share capital increases from revaluation funds: None.
- e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments : None.
- f) Indicators of the Group's income, profit and liquidity for the previous periods and within these indicators possible affects on capital fore sighting uncertainty : None.
- g) Information on privileged shares :

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

14. a) Common stock issue premiums, shares and equity instruments: 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 CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2003 AND 2002 (Continued)
(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From associates and subsidiaries	162	-	229	-
From securities available-for-sale	-	-	-	-
From securities held for structural position	-	-	-	-
Total	162	-	229	-

There is no value increase generating from foreign currency marketable securities.

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

As of December 31, 2003 and 2002, the foreign exchange gains, related to foreign currency participations, subsidiaries of the Bank, are TL 2,601 and TL 6,666, respectively. These amounts are reflected under shareholders' equity as other reserves.

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.

16. Information on revaluation fund: None.

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	7,989	5,025
Second legal reserves	-	-
Other legal reserves appropriated in acc. with special legislation	-	-
Total	7,989	5,025

19. Information on extraordinary reserves: None.

As mentioned in the note 18, as of December 31, 2003, the Group does not have any extraordinary reserves.

20. a) Information on minority shares :

	Current Period	Prior Period
Balance at the beginning of period	21,929	20,700
Net profit share from subsidiaries	-	-
Prior period dividend	2,947	1,229
Balance at the end of the period	24,876	21,929

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

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

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

III. Footnotes and Explanations Related to the Consolidated Income Statement

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

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

Other interest income amounting to TL 42,960 (2002-TL 41,024) consists of leasing income amounting to TL 26,598 (2002-TL 26,060) and factoring income amounting to TL 13,386 (2002-TL 12,907).

Other interest expense amounting to TL 29,056 (2002-TL34,317) 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 (2002-TL 32,743).

Other fees and commission income amounting to TL 40,601 (2002-TL 45,724) includes intermediary commissions amounting to TL 12,188 (2002-TL 12502) fees and commissions on credit cards amounting to TL 6,565, and other fee and commission expense amounting to TL 15,885 (2002-TL14,129) includes fees and commissions on credit card and interbank money marked transactions amounting to TL 6,854 (2002-TL6,263) and TL 2,030, respectively.

1. a) Information on interest income received from investments and subsidiaries: None.

b) Information on financial lease income:

	Current Period	Prior Period
Financial lease income	26,598	26,060

c) Interest received from reverse repurchase agreement transactions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest received from reverse repurchase agreement transactions	1,309	-	3,421	-

d) Information on factoring receivables:

	Current Period	Prior Period
Interest on factoring receivables	13,386	12,907

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

b) Information on financial lease expenses : 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 CONSOLIDATED 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 :

d)

Account name	Time Deposits						Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	
TL							
Bank deposits	1	14,448	30	11	-	-	14,490
Saving deposits	944	26,700	21,747	11,124	3,180	6,175	69,870
Public sector deposits	-	-	-	-	-	-	-
Commercial deposits	2,451	23,936	11,440	9,155	1,246	29	48,257
Other deposits	1	390	202	14	-	-	607
7 days call accounts	-	-	-	-	-	-	-
Total	3,397	65,474	33,419	20,304	4,426	6,204	133,224
FC							
Foreign currency deposits (*)	513	18,965	13,770	2,521	928	15,403	52,100
7 days call accounts	-	-	-	-	-	-	-
Precious metal deposits	-	11	162	-	8	-	181
Total	513	18,976	13,932	2,521	936	15,403	52,281
Total	3,910	84,450	47,351	22,825	5,362	21,607	185,505

(*) Interest expense on foreign currency deposits includes interest expenses amounting to TL 229 of foreign bank deposits, TL 6,255 saving deposits and TL 20,603 commercial deposits.

b) 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 Group's income including extraordinary items and new developments, and the explanation on nature and amount of income earned from extraordinary items : None.

5. Provision expenses of Groups for loans and other receivables:

	Current Period	Prior Period
Specific provisions for loans and other receivables	4,981	13,991
Unsecured	1,003	-
Other groups	3,978	13,991
General provision expenses	2,474	4,439
Marketable securities impairment expense	245	319
Other	38	-
Total	7,738	18,749

(*) 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.S.
NOTES TO CONSOLIDATED 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	72,179	66,075
Reserve for employee termination benefits	1,301	1,411
Provision for social aid fund deficits	-	-
Depreciation expense of fixed assets	13,444	13,909
Amortization expense of intangible assets	1,681	1,792
Other operating expenses	36,070	39,039
Maintenance expenses	4,826	1,172
Advertisement expenses	3,562	4,845
Other expenses	27,682	33,022
Loss on sales of assets	407	39
Operational lease expenses	10,427	12,146
Other (*)	21,057	29,529
Total	156,566	163,940

(*) 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.

e) Information on Goodwill:

c.1) Income statement item including goodwill and amortization: It is included in the current period other operating expenses.

c.2) If present, it is stated that the negative goodwill is determined in accordance with the principles in Communiqué 16 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: The dividend income amounting TL 171 was received from Varlık Yatırım Ortaklığı A.S (2002 – None).

a) The information on income and expense from related party transactions: None.

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

The Group has certain Banking transactions with group companies. These are commercial transactions, which are realized in line with market rates. These are reflected in income statement. The related amounts are presented in Part XI.

8. Income and expenses from unconsolidated subsidiaries and participations:

	Current Period Profit / Loss	Prior Period Profit / Loss
Unconsolidated subsidiaries and participations		
TEB Kıymetli Madenler A.S.	(68)	40
Varlık Yatırım Ortaklığı A.S.	449	55

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)
TÜRK EKONOMİ BANKASI A.S.
NOTES TO CONSOLIDATED 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 Group'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:

	Current Period	Prior Period
Income and loss related to minority shares	36	1,160

- 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 CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2003 AND 2002 (Continued)
(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

IV. Footnotes and Explanations Related to the Consolidated Off-Balance Sheet Commitments

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

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

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

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

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

b.1) For contingent assets, if realization probability is close to certain, then it is accounted. If realization probability is low, then it is explained in the footnotes. As of 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
Types of trading transactions				
Foreign currency related derivative transactions:				
Forward FC transactions	409,857	295,124	-	-
FC swap transactions	273,373	347,561	-	-
Futures FC transactions	-	-	-	-
Option FC transactions	-	-	-	-
Total of FC derivative transactions (I)	683,230	642,685	-	-
Interest related derivative transactions :				
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)	-	-	-	-
Total trading derivative transactions (I+II)	684,104	642,685		
Types of hedging transactions				
Fair value hedges(2):				
Futures currency transactions	-	-	-	-
Swap interest transactions	-	-	-	-
Total	-	-	-	-
Cash flow hedges (3):				
Swap currency transactions	-	-	-	-
Currency call options	-	-	-	-
Total	-	-	-	-
Total hedging related derivatives (4).	-	-	-	-
Total Derivative Transactions	684,104	642,685	-	-

(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 CONSOLIDATED 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 Group'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 Group has no option contracts. The Group'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 Group'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	131,503	25,635	87,936	48,936
EURO	31,007	127,279	-	87,874
Other	19,133	14,890	48,723	777
Total	203,610	206,247	136,659	137,588
Prior Period				
TRL	23,933	70,109	-	-
USD	72,098	41,289	163,222	9,232
EURO	49,115	24,906	9,793	144,151
Other	654	13,020	-	21,163
Total	145,800	149,324	173,015	174,546

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 commitments :

- Nature and amount of irrevocable loan commitments: As of 31 December 2003 and 2002, credit card spending limit commitments are TL 107,169 and TL 76,724, respectively.
- Nature and amount of contingent loss and commitments from off-balance sheet items including below statements:

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

- 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 guarantees amounting to TL 730,790 (2002-661,587) acceptances amounting to TL 48,514 (2002-TL 45,988) and letters of credit amounting to TL 430,692 (2002-366,879).

- Guarantees, surety ships and similar transactions : There are other commitments and contingencies amounting TL 797 (2002-TL 10,330) other than the ones explained in article b.1).

4. Concentration of off-balance sheet commitments: Sectoral concentration is disclosed in Section IV.8.a. The information requested in this article will be reported after 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 CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2003 AND 2002 (Continued)
(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

5.a) Non-cash loans:

	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	1,135,510	1,016,476
Total	1,210,793	1,084,784

- 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 Group provides trading and custodian services in the name and account of third parties. The nominal values of the custody and pledged items of the third parties, agencies and managers under the custodian of the Bank are TL 2,392,102 (2002-TL 1,759,766) and millions of EURO 57.7 (2002 - millions of EURO 40.2) respectively as of December 2003 and 2002.

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

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

Moody's Investor Services: March 2003

Bank Financial Strength	D+
Long Term FX Deposits	B3

Fitch Ratings: February 2003

Foreign Currency Commitments	
Long Term	B+
View	Stable
Turkish Lira Commitments	
Long Term	B+
View	Stable
National	
Long Term	A (tur)
View	Stable
Individual Rating	
Support Points	5

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

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

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	5,249	1.39	16,268	1.95	6,727	2.23	18,515	2.37
Farming and Raising livestock	4,998	1.32	13,158	1.57	4,078	1.35	6,416	0.82
Forestry	210	0.06	3,029	0.37	2,628	0.87	12,099	1.55
Fishing	41	0.01	81	0.01	21	0.01	-	-
Manufacturing	252,325	66.45	492,598	59.27	198,680	65.82	427,431	54.59
Mining	5,126	1.35	8,253	0.99	4,076	1.35	11,931	1.52
Production	242,098	63.76	483,963	58.23	190,423	63.08	410,223	52.40
Electric, gas and water	5,101	1.34	382	0.05	4,181	1.39	5,277	0.67
Construction	18,851	4.96	25,007	3.01	16,044	5.31	6,099	0.78
Services	99,686	26.25	158,810	19.11	77,047	25.52	256,095	32.71
Wholesale and retail trade	52,604	13.85	46,450	5.59	43,657	14.46	65,043	8.31
Hotel, food and beverage services	356	0.09	2,880	0.35	292	0.10	4,648	0.59
Transportation and telecommunication	20,074	5.29	12,131	1.46	11,030	3.65	11,923	1.52
Financial institutions	21,709	5.72	87,833	10.56	18,736	6.21	166,669	21.29
Real estate and renting services	2,519	0.66	8,342	1.00	1,924	0.64	6,981	0.89
Self-employment services	1,050	0.28	1,086	0.14	117	0.04	-	-
Education services	89	0.02	-	0.00	105	0.03	-	-
Health and social services	1,285	0.34	88	0.01	1,186	0.39	831	0.11
Other	3,614	0.95	138,385	16.66	3,368	1.12	74,778	9.55
Total	379,725	100.00	831,068	100.00	301,866	100.00	782,918	100.00

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

	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	379,653	351,137	-	-
Group acceptances	-	48,514	-	-
Letters of credit	72	430,620	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Other commitments and contingencies	-	797	-	-
Total	379,725	831,068	-	-

The Group provided TL 62 of reserve for non-cash loans amounting to 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 CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2003 AND 2002 (Continued)
(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)**

V. Footnotes and Explanations Related to the Consolidated Statement of Changes in Shareholders' Equity

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.

- c) Reconciliation of beginning and ending balances of the foreign currency differences :

The foreign currency increases regarding the consolidated subsidiaries of the Group are TL 2,601 and TL 6,666 as of December 31, 2003 and 2002, respectively. These are stated under the shareholders' equity, as income reserves.

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 (except the risk hedging securities) 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:

- 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: In accordance with the permission for appropriation of profits taken by the Parent Bank from BRSA on February 25, 2004, the Parent Bank has decided on its Board of Directors' meeting dated March 4, 2004, to conduct its Annual General Meeting of shareholders on March 26, 2004 and to offer its shareholders a distribution of profits from the bank's 2003 net income, amounting to TL 14,019 (25.43% and 254.3 TL per share).

4. Amounts transferred to legal reserves: TL 2,964 was transferred to legal reserves.

5. Information on shares issued:

- 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 CONSOLIDATED 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 the Consolidated 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 51,656 in the “Operating profit before changes in operating assets and liabilities” consists of other operating expenses other than personnel expenses, taxes paid, and profit from held to maturity marketable securities.

“Net increase/decrease in other liabilities” with a total amount of TL 20,529 in the “Changes in operating assets and liabilities” consists of changes in factoring payables, miscellaneous payables, other liabilities and taxes and duties payable.

“Net increase/decrease in other assets” with a total amount of TL 106,012 consists of changes in factoring receivables, leasing receivables, miscellaneous receivables and other assets.

Cash in flow in the other payables relate to factoring payables and other liabilities.

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 and the unrealized gain/loss on the other non-monetary items are reflected at the relevant section in the statement of cash flows.

2. Cash flows related to acquisition of participations, subsidiaries and other investments: None

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	65,773	98,875
Cash equivalents	1,762,898	2,025,351
Total	1,828,671	2,124,226

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 Group 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 Group 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 CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2003 AND 2002 (Continued)
(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)**

VII. Footnotes and Explanations Related to Mergers and Acquisitions:

There are no issues to be disclosed related to mergers and acquisitions.

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

VIII. Footnotes and Explanations Related to the Risk Group of the Parent Bank

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

a) Current Period :

Bank's Risk Group (*)	Investments and subsidiaries		Direct and indirect shareholders of the Group		Other entities included in related parties	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	115,057	7,668	11,570	4,983
Balance at end of period	-	-	64,907	1,346	2,717	4,611
Interest and commission income	-	-	6,375	23	2,997	67

b) Prior Period :

Bank's Risk Group (*)	Investments and subsidiaries		Direct and indirect shareholders of the Group		Other entities included in related parties	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	24,503	1,365	122,916	6,539
Balance at end of period	-	-	115,057	7,668	11,570	4,983
Interest and commission income	-	-	4,950	521	11,925	623

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

Bank's Risk Group (*)	Investments and subsidiaries		Direct and indirect shareholders of the Group		Other entities included in related parties	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Balance at beginning of period	-	-	213,215	67,672	880,695	370,936
Balance at end of period	-	-	165,750	213,215	679,055	880,695
Interest on deposits	-	-	5,572	3,483	12,982	50,878

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

Bank's Risk Group (*)	Investments and subsidiaries		Direct and indirect shareholders of the Group		Other entities included in related parties	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Trading transactions						
Beginning of period	-	-	49,350	26,398	27,899	17,862
End of period	-	-	22,537	49,350	33,841	27,899
Total income/loss	-	-	(127)	(393)	766	704
Hedging transactions purposes						
Beginning of period	-	-	-	-	-	-
End of period	-	-	-	-	-	-
Total income/loss	-	-	(127)	(393)	766	704

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

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)
TÜRK EKONOMİ BANKASI A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF 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 Group with the entities controlled by the Group and its related parties, regardless of whether there are any transactions or not:

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

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

	Amount	% According to the Amounts at the Financial Statements
Deposits	844,805	27.65
Cash loans	67,624	3.95
Forward transactions and option agreements	56,378	8.24
Noncash loans	5,957	0.49

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

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

The Group has financial lease agreements with TEB Leasing which are eliminated in the accompanying financial statements. The total leasing obligations related to these agreements amounted to TL 4,917. Additionally, the Group provides agency services for TEB Sigorta and TEB Yatirim.

Within the limits of the Bank Law, the Group renders cash and non-cash loans to its related parties and the ratio of these to the Group's total cash and non-cash loan portfolio is 2.51 %. Amounts of these loans are explained in the note VIII- 1a.

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

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

IX- Footnotes and Explanations Related to Inflation Accounting

Inflation Accounting

The accompanying financial statements are prepared by applying inflation accounting to the financial statements, which are prepared on a historical cost basis, except for the revaluation of fixed assets in line with Turkish Tax Legislation, in accordance with the provisions of Communiqué No : 14 "Accounting Standard Related to the Preparation of Financial Statements in Hyperinflationary Periods" related to ARR. Communiqué No:14 requires Banks to restate their 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 Group's net monetary position is included in the statements of income and separately disclosed as a net monetary gain or loss. The effect of inflation accounting on prior year financial statements is included in retained earnings and the effect of restatement is disclosed separately under shareholders' equity.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH - SEE SECTION III, NOTE XXV)
TÜRK EKONOMİ BANKASI A.S.
NOTES TO CONSOLIDATED 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 Group could realize or settle the same values of assets and liabilities as indicated in the balance sheets. Similarly, it does not necessarily mean that the Group could return or settle the same values of equity to its shareholders.

In accordance with Communiqué No :14, the Group 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 Parent Bank's statutory books of account.

Prior year financial statements were subject to independent.

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 CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2003 AND 2002 (Continued)
(Currency-Billions of Turkish lira in equivalent purchasing power at December 31, 2003)

X- Explanations Related to the Local, Foreign and Offshore Branches, Subsidiaries and Representative Offices of the Bank:

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

	Number	Number of Employees			
Domestic branch	76	2,176			
			<u>Country of Incorporation</u>		
Foreign representatives	-	-	-		
				<u>Total Assets Statutory Share Capital</u>	
Foreign branch	-	-	-	-	-
Offshore banking region branches	1	2	Bahrain	219,832	-

XI- 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 Portfoy Yonetimi A.Ş. held at January 8, 2004, it was decided to increase share capital of TEB Portfoy Yonetimi A.Ş. and ABN AMRO Portfoy Yonetimi A.Ş. by TL 292 from acquisition and by TL 617 from revaluation fund.
- a.3) In accordance with the permission for appropriation of profits taken by the Parent Bank from BRSA on February 25, 2004, the Parent Bank has decided on its Board of Directors' meeting dated March 4, 2004, to conduct its Annual General Meeting of shareholders on March 26, 2004 and to offer its shareholders a distribution of profits from the bank's 2003 net income, amounting to TL 14,019 (25.43% and 254.3 TL per share).
- 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 Group : 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 CONSOLIDATED 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

OTHER FOOTNOTES AND EXPLANATIONS

I- Other Explanations Regarding the Parent Bank

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.

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

SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

I. Explanations Related to the Independent Auditors' Report:

The consolidated financial statements of the Group were audited by Güney Serbest Muhasebeci Mali Müşavirlik A.S. (An Affiliated Firm of Ernst &Young International) and the report of independent auditors, dated March 11, 2004, including an unqualified opinion is presented preceding the consolidated financial statements.