

**Turk Ekonomi Bankasi
Anonim Sirketi**

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

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To the Board of Directors of
Turk Ekonomi Bankasi Anonim Sirketi

We have audited the accompanying consolidated balance sheet of Turk Ekonomi Bankasi Anonim Sirketi (the Bank - a Turkish corporation) and its subsidiaries as of December 31, 2003 and the related consolidated income, changes in equity and cash flow statements for the year then ended, all expressed in the equivalent purchasing power of Turkish lira as of December 31, 2003. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 consolidated financial statements present fairly, in all material respects, the financial position of Turk Ekonomi Bankasi Anonim Sirketi and its subsidiaries as of December 31, 2003 and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

March 11, 2004
Istanbul, Turkey

Turk Ekonomi Bankasi Anonim Sirketi

CONSOLIDATED BALANCE SHEET

As at December 31, 2003

(Currency – In billions of Turkish Lira in equivalent purchasing power at December 31, 2003)

	Notes	2003	2002
ASSETS			
Cash and balances with the Central Bank	4	580,112	490,825
Deposits with banks and other financial institutions	4	837,746	1,184,520
Other money market placements	4	434,685	471,864
Reserve deposits at the Central Bank	5	149,601	151,625
Trading securities	6	52,488	61,130
Investment securities	6	91,936	65,226
Originated loans and advances	7	1,725,282	1,511,509
Factoring receivables	8	114,223	76,304
Minimum lease payments receivable	9	151,054	97,740
Derivative financial instruments	17	4,385	4,624
Premises and equipment	10	48,462	48,253
Intangible assets	11	4,213	4,264
Deferred tax assets	16	5,458	-
Other assets	12	43,556	34,284
Total assets		4,243,201	4,202,168
LIABILITIES AND EQUITY			
Deposits from other banks	13	153,979	120,401
Customers' deposits	13	2,919,778	3,092,651
Other money market deposits	13	15,436	26,011
Funds borrowed			
- Subordinated debt	14	21,151	28,393
- Other funds borrowed	14	594,585	449,686
Factoring payables	8	64,601	31,884
Derivative financial instruments	17	7,113	5,205
Other liabilities and provisions	15	113,915	123,649
Income taxes payable	16	8,979	15,264
Deferred tax liability	16	-	2,372
Total liabilities		3,899,537	3,895,516
Minority interest		17,700	13,556
Share capital issued	18	55,125	55,125
Adjustment to share capital	18	214,998	214,998
Currency translation differences		1,855	7,192
Legal reserves and accumulated profits (deficit)	19	53,986	15,781
Total equity		325,964	293,096
Total liabilities and equity		4,243,201	4,202,168

The accompanying policies and explanatory notes on pages 6 through 48 form an integral part of the consolidated financial statements.

Turk Ekonomi Bankasi Anonim Sirketi

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2003

(Currency – In billions of Turkish Lira in equivalent purchasing power at December 31, 2003)

	Notes	2003	2002
Interest income			
Interest on originated loans and advances		218,786	235,061
Interest on securities		25,017	66,705
Interest on deposits with banks and other financial institutions		45,126	71,355
Interest on other money market placements		87,268	97,254
Interest on financial leases		27,606	26,060
Other interest income		21,497	20,521
Total interest income		425,300	516,956
Interest expense			
Interest on deposits		(185,838)	(204,457)
Interest on other money market deposits		(16,218)	(32,728)
Interest on funds borrowed		(35,359)	(57,172)
Other interest expense		(12,672)	(1,604)
Total interest expense		(250,087)	(295,961)
Net interest income		175,213	220,995
Provision for possible loan, lease, factoring and other receivables losses	7, 8, 9	(4,609)	(17,325)
Net interest income (expense) after provision for possible loan, lease, factoring and other receivables losses		170,604	203,670
Foreign exchange gain (loss)		(2,675)	(16,383)
Net interest income after foreign exchange gain (loss) and provision for possible loan, lease, factoring and other receivables losses		167,929	187,287
Other operating income			
Fees and commissions income		30,707	28,159
Income from banking services		22,339	23,523
Trading income (loss)		43,307	24,738
Other income	23	24,194	19,943
Total other operating income		120,547	96,363
Other operating expense			
Fees and commissions expense		(16,586)	(19,686)
Salaries and employee benefits	22	(75,571)	(68,477)
Depreciation and amortization	10,11	(14,652)	(15,533)
Taxes other than on income		(12,850)	(14,869)
Other expenses	23	(54,277)	(56,288)
Total other operating expense		(173,936)	(174,853)
Profit from operating activities before income tax, monetary gain (loss) and minority interest		114,540	108,797
Income tax	16	(30,780)	(32,278)
Monetary gain (loss)		(28,118)	(48,616)
Net profit from ordinary activities		55,642	27,903
Minority interest		(1,109)	(1,073)
Net profit		54,533	26,830
Earnings per share			
Basic		495	244

The accompanying policies and explanatory notes on pages 6 through 48 form an integral part of the consolidated financial statements.

Turk Ekonomi Bankasi Anonim Sirketi

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2003

(Currency – In billions of Turkish Lira in equivalent purchasing power at December 31, 2003)

	Notes	Share capital	Adjustment to share capital	Currency translation differences	Legal reserves and accumulated profits (deficit)	Total
At January 1, 2002		55,125	469,784	5,880	(265,835)	264,954
Accumulated losses netted off	18	-	(254,786)	-	254,786	-
Currency translation differences		-	-	1,312	-	1,312
Net profit for the year		-	-	-	26,830	26,830
At December 31, 2002		55,125	214,998	7,192	15,781	293,096
Dividend distribution		-	-	-	(16,328)	(16,328)
Currency translation differences		-	-	(5,337)	-	(5,337)
Net profit for the year		-	-	-	54,533	54,533
At December 31, 2003		55,125	214,998	1,855	53,986	325,964

The accompanying policies and explanatory notes on pages 6 through 48 form an integral part of the consolidated financial statements.

Turk Ekonomi Bankasi Anonim Sirketi

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2003

(Currency – In billions of Turkish Lira in equivalent purchasing power at December 31, 2003)

	2003	2002
Cash flows from operating activities		
Interest received	431,560	536,418
Interest paid	(244,076)	(314,209)
Dividend received	171	-
Fees and commissions received	30,707	28,159
Income from banking services	22,339	23,523
Trading income (loss)	43,307	24,738
Recoveries of loans previously written off	3,244	1,144
Fees and commissions paid	(16,586)	(19,686)
Cash payments to employees and other parties	(75,571)	(68,477)
Cash received from other operating activities	20,779	19,943
Cash paid for other operating activities	(67,078)	(71,157)
Income taxes paid	(52,928)	(45,788)
Cash flows from operating activities before changes in operating assets and liabilities	95,868	114,608
Changes in operating assets and liabilities		
Net (increase) decrease trading securities	1,189	(50,862)
Net (increase) decrease in reserve deposits at the Central Bank	(18,620)	859
Net (increase) in originated loans and advances	(213,773)	(135,825)
Net (increase) decrease in factoring receivables	(48,344)	(17,243)
Net (increase) decrease in minimum lease payments receivable	(66,775)	(27,278)
Net (increase) decrease in other assets	(14,491)	(4,699)
Net increase (decrease) in deposits from other banks	49,422	18,698
Net increase in customers' deposits	(172,873)	683,760
Net increase (decrease) in other money market deposits	(7,562)	(276,739)
Net increase in factoring payables	37,460	15,700
Net increase (decrease) in other liabilities	8,124	(9,954)
Net cash from operating activities	(350,375)	196,417
Cash flows from investing activities		
Purchases of available for sale securities	-	(19,963)
Proceeds from sale and redemption of available for sale securities	17,236	174,919
Purchases of held to maturity securities	(55,766)	(45,264)
Proceeds from redemption of held to maturity securities	3,773	56,302
Disposal of subsidiaries and associates net of cash disposed	-	(550)
Purchases of premises and equipment	(15,786)	(17,393)
Proceeds from the sale of premises and equipment	2,135	1,849
Purchase of intangible assets	(1,618)	(2,112)
Net cash provided by (used in) investing activities	(50,026)	147,788
Cash flows from financing activities		
Proceeds from funds borrowed	520,444	400,414
Repayments of funds borrowed	(382,523)	(445,470)
Dividends paid	(16,328)	-
Net cash provided by (used in) financing activities	121,593	(45,056)
Effect of net foreign exchanges difference and monetary gain (loss) on cash and cash equivalents	(17,569)	(49,750)
Net increase in cash and cash equivalents	(296,377)	364,007
Cash and cash equivalents at beginning of year (Note 4)	2,111,334	1,747,327
Cash and cash equivalents at end of year (Note 4)	1,814,957	2,111,334

The accompanying policies and explanatory notes on pages 6 through 48 form an integral part of the consolidated financial statements.

Turk Ekonomi Bankasi Anonim Sirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2003)

1. CORPORATE INFORMATION

General

Turk Ekonomi Bankasi A.S. (a Turkish joint stock company – TEB, the Bank) was incorporated in Turkey. Certain shares of the Bank, representing 20% of the total, are listed on the Istanbul Stock Exchange since February 2000. The registered office address of TEB is at Meclis-i Mebusan Caddesi, No: 35, Findikli-Istanbul/Turkey. The Bank was originally incorporated in 1927 and in 1982 was acquired by the Colakoglu Group and renamed as Turk Ekonomi Bankasi A.S.

The consolidated financial statements of the Bank were authorized for issue by the management on March 11, 2004. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue. The parent and the ultimate parent of the Bank is TEB Mali Yatirimlar A.S.

Nature of Activities of the Bank / Group

For the purposes of the consolidated financial statements, the Bank and its consolidated subsidiaries are referred to as “the Group”.

The operations of the Group consist of banking, leasing, factoring, insurance, brokerage and portfolio management in capital markets, which are conducted mainly with local customers.

The Bank provides banking services through 76 (2002-74) branches and 1,847 employees (2002 – 1,673) (excluding the subsidiaries) as of December 31, 2003 in Turkey. Also the Bank has an offshore branch in Bahrain with 2 employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the IASB, and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect. The consolidated financial statements have been prepared on a historical cost convention except for the measurement at fair value of derivative financial instruments, trading securities and available-for-sale financial assets.

The Bank and its subsidiaries which are incorporated in Turkey, maintain their books of account and prepare their statutory financial statements (“Statutory Financial Statements”) in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Banking Law and accounting standards promulgated by the other relevant laws and regulations. The foreign subsidiaries maintain their books of account and prepare their statutory financial statements in their local currencies and in accordance with the regulations of the countries in which they operate. In accordance with the accounting and reporting standards issued by the Banking Regulation and Supervision Agency (BRSA) effective July 1, 2002 and October 1, 2002, the Bank is required to apply restatement for the changes in the general purchasing power of Turkish lira and other standards which aim to align statutory accounting standards with IFRS, in its statutory financial statements. The consolidated financial statements have been prepared from statutory financial statements of the Bank and its subsidiaries and presented in accordance with IFRS in Turkish Lira (TL) with adjustments and certain reclassifications for the purpose of fair presentation in accordance with IFRS. Such adjustments mainly comprise effects of deferred taxation and employee termination benefits.

Turk Ekonomi Bankasi Anonim Sirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2003

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2003)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications on 2002 Financials

The Group has made certain reclassifications in the consolidated financial statements as of December 31, 2002 to be consistent with the current year presentation. Such reclassifications relate to certain classifications in asset accounts and are made primarily to be consistent with the current year presentation.

Measurement and Reporting Currency and Translation Methodology

Measurement and Reporting Currency and Translation Methodology for the Bank and Its Subsidiaries, Which Operate in Turkey:

Measurement currency of the Bank and its subsidiaries, which operate in Turkey, is Turkish Lira (TL). The restatement for the changes in the general purchasing power of TL as of December 31, 2003 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three year inflation rate approaching or exceeding 100%. As of December 31, 2003, the three-year cumulative rate has been 181.1 % (2002- 227.3 %) based on the Turkish countrywide wholesale price index published by the State Institute of Statistics. Such index and conversion factors as of the end of the three-year period ended December 31, 2003 are given below:

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

The main guidelines for the above-mentioned restatement are as follows:

- the financial statements of prior year, including monetary assets and liabilities reported therein, which were previously reported in terms of the measuring unit current at the end of that year are restated in their entirety to the measuring unit current at December 31, 2003.
- monetary assets and liabilities reported in the consolidated balance sheet as of December 31, 2003 are not restated because they are already expressed in terms of the monetary unit current at that balance sheet date.
- the inflation adjusted share capital was derived by indexing cash contributions, dividends reinvested, transfers from statutory retained earnings and income from sale of investments and property transferred to share capital from the date they were contributed.
- non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and other components of equity (except for the statutory revaluation surplus which is eliminated) are restated by applying the relevant conversion factors.

Turk Ekonomi Bankasi Anonim Sirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2003

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2003)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- the effect of general inflation on the net monetary position is included in the income statement as monetary gain(loss).
- all items in the income statement are restated by applying appropriate average conversion factors with the exception of depreciation, amortization, gain or loss on disposal of non-monetary assets (which have been calculated based on the restated gross book values and accumulated depreciation/amortization).

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 consolidated balance sheets. Similarly, it does not necessarily mean that the Group could return or settle the same values of equity to its shareholders.

Measurement and Reporting Currencies of Foreign Subsidiaries:

As of December 31, 2003 and 2002, the foreign subsidiaries (Economy Bank and Petek International) adopted EURO as their measurement and reporting currency.

The foreign subsidiaries are regarded as foreign entities since they are financially, economically and organizationally autonomous.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries drawn up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The consolidated financial statements of the Group include the Bank and its subsidiaries, which it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and income statement, respectively.

Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The subsidiaries included in consolidation and their shareholding percentages at December 31, 2003 and 2002 are as follows:

	Place of Incorporation	Effective Shareholding and Voting Rights %	
		2003	2002
The Economy Bank N.V.(Economy Bank)	Netherlands	100.0	100.0
Petek International Holdings B.V.(Petek International)	Netherlands	100.0	100.0
TEB Portfoy Yonetimi A.S.(TEB Portfoy)	Turkey/Istanbul	99.5	99.5
TEB Yatirim Menkul Degerler A.S.(TEB Yatirim)	Turkey/Istanbul	92.1	91.8
TEB Factoring A.S.(TEB Factoring)	Turkey/Istanbul	73.5	70.8
TEB Finansal Kiralama A.S.(TEB Leasing)	Turkey/Istanbul	72.7	72.5
TEB Sigorta A.S.(TEB Sigorta) (*)	Turkey/Istanbul	50.0	50.0

Turk Ekonomi Bankasi Anonim Sirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2003

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2003)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(*) The management of the Company is controlled by the Bank representatives.

The principal activities of the consolidated subsidiaries are as follows:

Economy Bank -- Commercial bank, which deals mainly foreign trade finance, corporate banking, private banking and correspondent banking services (incorporated in the Netherlands).

Petek International -- Private holding company (incorporated in the Netherlands).

TEB Yatirim -- Rendering fixed income and equity brokerage and corporate finance services in line with the rules of the Capital Market Board of Turkey (incorporated in Turkey).

TEB Portfoy -- Managing the Bank's mutual funds, which are made up of the capital market instruments according to the rules of the related regulation and the Capital Market (incorporated in Turkey).

TEB Leasing -- Providing financial leasing services to corporate clients, investing in industrial machinery and equipment, various equipment and transport vehicles (incorporated in Turkey).

TEB Factoring -- Providing both domestic and export factoring services to industrial and commercial enterprises in Turkey (incorporated in Turkey).

TEB Sigorta -- Rendering all types of property and casualty insurance services (incorporated in Turkey).

Foreign Currency Translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Foreign currency translation rates used by the Group as of respective year-ends are as follows:

Dates	TL (full) / USD	TL (full) / EUR
December 31, 2001	1,446,638	1,268,115
December 31, 2002	1,639,745	1,718,945
December 31, 2003	1,393,278	1,757,480

The assets and liabilities of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The income statements of foreign subsidiaries are also translated at year-end exchange rates, which is considered as a proxy to restate such income statement amounts at year-end purchasing power of TL. Differences resulting from the deviation between the inflation rate and the appreciation of foreign currencies against the Turkish Lira related to equity accounts of consolidated subsidiaries were taken to shareholders' equity as a translation gain (loss).

Premises and Equipment

Premises and equipment is stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Turk Ekonomi Bankasi Anonim Sirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2003

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2003)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The initial cost of premises and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the assets to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to income in the period in the costs are incurred. Expenditures incurred that have resulted in an increase in the future economic benefits expected from the use of premises are capitalized as an additional cost of premises and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings and land improvements	50 years
Machinery and equipment	5 years
Office equipment	5 years
Furniture, fixtures and vehicles	5 years
Leasehold improvements	Lease period

The carrying values of premises and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are recognized in the income statement. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of premises and equipment.

Intangible Assets

Intangible assets acquired separately from a business are capitalized at cost. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Investments

All investments are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. The Group maintains three separate securities portfolio, as follows:

Trading securities

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. After initial recognition, trading securities are remeasured at fair value based on quoted average bid prices. All related realized and unrealized gains or losses are recognized in trading income / (loss), net.

Held-to-maturity securities

Investment securities with fixed or determinable payments and fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Management determines the appropriate classification of its investments at the time of the purchase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Turk Ekonomi Bankasi Anonim Sirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2003

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2003)

Held-to-maturity investments include debt securities, primarily government bonds and treasury bills, initially recognized at cost, which is the fair value of consideration given for them and are carried at amortized cost using the effective yield method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

Interest earned whilst holding held-to-maturity securities is reported as interest income.

Available-for-sale securities

All other investments are classified as available-for-sale. Available-for-sale securities are subsequently carried at fair value. Gains or losses on remeasurement to fair value are recognized in income.

Available-for-sale securities also include debt securities, primarily government bonds and treasury bills. Debt securities classified as 'available-for-sale' are stated at fair values, with any resulting gain/(loss) recognized in the statement of income. Fair value is determined by reference to their quoted market prices at the balance sheet date.

Foreign currency denominated debt securities are valued at their closing prices and translated at the foreign currency year-end rate of exchange at the balance sheet date.

Interest earned on available-for-sale investments is reported as interest income. Dividends received are included in dividend income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment.

Repurchase and Resale Transactions

The Group enters into short-term sales of securities under agreements to repurchase such securities. Such securities, continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the security portfolio to which they relate. The counterparty liability for amounts received under these agreements is included in other money market deposits. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreements.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repurchase agreements) are not recognized in the balance sheet, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in other money market placements. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Turk Ekonomi Bankasi Anonim Sirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2003

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2003)

Recognition and Derecognition of Financial Instruments

The Group recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion financial asset. The Group derecognizes a financial liability when and only when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expired.

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Cash and Cash Equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash and balances with central banks, deposits with banks and other financial institutions and other money market placements with an original maturity of three months or less.

Originated Loans and Advances to Customers

Loans originated by the Group by providing money directly to the borrower or to a sub-participation agent at draw down are categorized as loans originated by the Group and are carried at amortized cost. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

All loans and advances are recognized when cash is advanced to borrowers.

Provisions for Possible Loan, Lease and Factoring Receivable Losses

Based upon its evaluation of credits granted, management estimates the total credit risk provision that it believes is adequate to cover uncollectible amounts in the Group's loan and receivable portfolio and losses under guarantees and commitments. If there is objective evidence that the Group will not be able to collect all amounts due (principal and interest) according to original contractual terms of the loan; such loans are considered impaired and classified as "loans in arrears".

The amount of the loss is measured as the difference between the loan's carrying amount and the present value of expected future cash flows discounted at the loan's original effective interest rate or as the difference between the carrying value of the loan and the fair value of collateral, if the loan is collateralized and foreclosure is probable.

Impairment and uncollectibility are measured and recognized individually for loans and receivables that are individually significant, and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired. On the portfolio basis, management estimates that a 1.5% lump sum allowance over net investments in direct financing leases to third parties (excluding related parties) is adequate to cover future, potential or unforeseen uncollectible amounts in rentals receivable and in the net investment in direct financing leases.

The Group ceases to accrue interest on those loans that are classified as "loans in arrears" and for which the recoverable amount is determined primarily in reference to fair value of collateral.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Turk Ekonomi Bankasi Anonim Sirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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The carrying amount of the asset is reduced to its estimated recoverable amount through use of an allowance for impairment account. A write off is made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Write offs are charged against previously established allowances and reduce the principle amount of a loan. Recoveries of loans written off in earlier periods are included in income.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for loan losses expense. Unwinding of the discount is treated as income and remaining provision is then reassessed.

Deposits and Funds Borrowed

Deposits and funds borrowed are initially recognized at cost. After initial recognition, all interest bearing liabilities are subsequently measured at amortized cost using effective yield method, less amounts repaid. Amortized cost is calculated by taking into account any discount or premium on settlement. Gain or loss is recognized in the income statement when the liability is derecognized or impaired as well as through the amortization process.

Employee Termination Benefits

In accordance with existing social legislation, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such amounts are recognized in the accompanying financial statements as earned. The total reserve represents the estimated amount of liability required in accordance with IAS 19 (Revised 1998) - Employee Benefits.

In the financial statements the Group has reflected a liability calculated using the Projected Unit Credit Method and based upon estimated inflation rates and factors derived using the Company and its Turkish subsidiaries' experience of personnel terminating their services and being eligible to receive such benefits and discounted by using the current market yield at the balance sheet date on government bonds.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Turk Ekonomi Bankasi Anonim Sirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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Leases

The Group as Lessee

Finance Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the estimated useful life of the asset.

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. These include rent agreements of branch premises, which are cancelable subject to a period of notice. Related payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

The Group as Lessor

Finance Leases

The Group presents leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are recognized immediately as expenses.

Factoring Receivables and Factoring Payables

Factoring receivables are recognized at original factored receivable amount, which represents the fair value of consideration given, and subsequently remeasured at amortized cost less reserve for possible losses. Factoring payables are recognized at original factored amount less advances extended against factoring receivables, interest and factoring commissions charged, and then carried at amortized cost.

Income and Expense Recognition

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income also includes coupons earned on fixed income securities and accrued discount and premium on treasury bills and other discounted instruments.

Commission income, fee for various banking services and dividends are recorded as income when collected.

Insurance premium income represents premiums on policies written during the period, net of cancellations. Unearned premiums, set aside to provide for the period of risk extending beyond the date of the balance sheet, are determined from premiums written during the period, less reinsurance, on the basis that, premiums are written on a daily basis (2002: unearned premiums are determined on the basis that the premiums are written on the middle day of each month (the twenty-fourth basis)).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax

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Tax expense / (income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except for the taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Derivative Financial Instruments

The Group enters into transactions with derivative instruments including forwards, swaps, futures and options in the foreign exchange and capital markets. These derivative transactions are considered as effective economic hedges under the Group's risk management policies; however since they do not qualify for hedge accounting under the specific provisions of IAS 39, they are treated as derivatives held for trading. Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are remeasured at their fair value.

Fair values are calculated by using forward exchange rates at the balance sheet date. In the absence of reliable forward rate estimations in a volatile market, current market rate is considered to be the best estimate of the present value of the forward exchange rates.

For derivatives that do not qualify for special hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

Fiduciary Assets

Assets held by the Group in a fiduciary, agency or custodian capacity for its customers are not included in the balance sheet, since such items are not treated as assets of the Group.

Use of Estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results may vary from the current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

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3. SEGMENT INFORMATION

Segment information is prepared on the following bases:

Business segments

The Group conducts the majority of its business activities in the following areas:

Year ended December 31, 2003:

	Banking	Leasing	Factoring	Brokerage, Insurance and Other	Eliminations	Group
Net interest income	143,429	24,051	4,058	3,623	52	175,213
Provision for possible loan, lease and factoring receivable losses	(2,465)	(1,003)	(458)	(683)	-	(4,609)
Foreign exchange gain/loss	11,272	(11,695)	(129)	(1,342)	(781)	(2,675)
Other operating income	110,195	743	2,448	23,635	(16,474)	120,547
Other operating expense	(147,418)	(4,983)	(3,924)	(20,515)	2,904	(173,936)
Profit loss from operating activities	115,013	7,113	1,995	4,718	(14,299)	114,540
Income tax	(29,834)	2,587	(686)	(2,847)	-	(30,780)
Monetary gain/loss	(24,765)	(2,416)	(682)	(2,224)	1,969	(28,118)
Minority interest	-	-	-	-	(1,109)	(1,109)
Net profit/loss	60,414	7,284	627	(353)	(13,439)	54,533
Other segment information						
Segment assets	4,002,780	218,134	124,488	69,258	(171,459)	4,243,201
Total assets	4,002,780	218,134	124,488	69,258	(171,459)	4,243,201
Segment liabilities	3,577,140	185,426	114,244	32,551	(9,824)	3,899,537
Total liabilities	3,577,140	185,426	114,244	32,551	(9,824)	3,899,537
Capital expenditures						
Tangible fixed assets	12,892	85	43	3,399	(633)	15,786
Intangible fixed assets	1,286	6	11	315	-	1,618
Depreciation	(11,033)	(222)	(168)	(1,575)	-	(12,998)
Amortization	(1,321)	(52)	(51)	(230)	-	(1,654)

Turk Ekonomi Bankasi Anonim Sirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2003

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2003)

3. SEGMENT INFORMATION (continued)

Year ended December 31, 2002:

	Banking	Leasing	Factoring	Brokerage, Insurance and Other	Eliminations	Group
Net interest income	189,213	25,807	2,445	3,530	-	220,995
Provision for possible loan, lease and factoring receivable losses	(16,592)	(719)	(14)	-	-	(17,325)
Foreign exchange gain/loss	2,283	(10,329)	754	2,076	(11,167)	(16,383)
Other operating income	73,546	2,313	1,996	30,948	(12,440)	96,363
Other operating expense	(145,298)	(4,737)	(4,242)	(23,787)	3,211	(174,853)
Profit loss from operating activities	103,152	12,335	939	12,767	(20,396)	108,797
Income tax	(27,641)	(1,578)	(186)	(2,873)	-	(32,278)
Monetary gain/loss	(45,841)	(4,240)	(2,066)	(7,060)	10,591	(48,616)
Minority interest	-	-	-	-	(1,073)	(1,073)
Net profit/loss	29,670	6,517	(1,313)	2,834	(10,878)	26,830
Other segment information						
Segment assets	4,070,908	152,510	82,514	56,570	(160,334)	4,202,168
Total assets	4,070,908	152,510	82,514	56,570	(160,334)	4,202,168
Segment liabilities	3,697,627	127,086	72,897	25,104	(27,198)	3,895,516
Total liabilities	3,697,627	127,086	72,897	25,104	(27,198)	3,895,516
Capital expenditures						
Tangible fixed assets	16,863	40	40	450	-	17,393
Intangible fixed assets	1,815	9	156	132	-	2,112
Depreciation	(11,612)	(231)	(261)	(1,807)	-	(13,911)
Amortization	(1,290)	(51)	(57)	(224)	-	(1,622)

Transactions between the business segments are on normal commercial terms and conditions. Those transactions are eliminated in consolidation.

Geographical segments:

The Group conducts majority of its business activities with local customers and therefore, geographical segments are insignificant.

Turk Ekonomi Bankasi Anonim Sirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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4. CASH AND CASH EQUIVALENTS

	2003	2002
Cash on hand	66,069	100,215
Balances with the Central Bank	514,043	390,610
Cash and balances with the Central Bank	580,112	490,825
Deposits with banks and other financial institutions	837,746	1,184,520
Funds lent under reverse repurchase agreements	2,507	8,034
Interbank placements	432,178	463,830
Other money market placements	434,685	471,864
Less: Time deposits with original maturities of more than three months	(37,586)	(35,875)
Cash and cash equivalents in the cash flow statement	1,814,957	2,111,334

As of December 31, 2003 and 2002, interest range of deposits and placements are as follows:

	2003				2002			
	Amount		Effective interest rate		Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Balances with the Central Bank	54,021	460,022	16%	0.43% - 0.80%	16,863	373,747	25%	0.55%
Deposits with banks and other financial institutions	91,636	746,110	24% - 58%	1% - 4.5%	48,863	1,135,657	42% - 71.5%	0.45% - 5%
Funds lent under reverse repurchase agreements	2,507	-	25.7% - 26%	-	8,034	-	42%	-
Interbank placements	368,060	64,118	26% - 26.1%	0.5% - 0.75%	260,067	203,763	44%-45.25%	1% - 1.5%
Total	516,224	1,270,250			333,827	1,713,167		

Turk Ekonomi Bankasi Anonim Sirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2003

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5. RESERVE DEPOSITS AT THE CENTRAL BANK

	2003	2002
- Turkish lira	19,522	11,579
- Foreign currency	130,079	140,046
Total	149,601	151,625

According to the regulations of the Central Bank of Turkish Republic (the Central Bank), banks are obliged to reserve a certain portion of their deposits other than interbank deposits. Such reserves are deposited with the Central Bank.

As of December 31, 2003 and 2002, reserve deposit rates applicable for Turkish lira deposits were 6% and 11% for foreign currency deposits.

Effective from August 2002, the Central Bank started to give interest on the Turkish lira and foreign currency reserves deposited, respectively. As of December 31, 2003, the interest rates applied for Turkish lira and foreign currency reserve deposits are 16% and 0.43 – 0.80% (December 31, 2002 - 25% and 0.55%), respectively.

6. INVESTMENTS IN SECURITIES

Trading Securities:

	2003	2002
Trading securities at fair value		
Debt instruments		
Turkish government bonds	31,345	24,831
Turkish treasury bills	7,501	25,307
Foreign currency government bonds	805	1,681
Eurobonds issued by the Turkish government	11,703	9,001
	51,354	60,820
Others		
Precious metals	1,134	310
	1,134	310
Total trading securities	52,488	61,130

Turk Ekonomi Bankasi Anonim Sirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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6. INVESTMENTS IN SECURITIES (continued)

Investment Securities:

	2003		2002	
	Amount	Effective Interest rate	Amount	Effective Interest rate
Available for sale securities at fair value				
Debt instruments				
Turkish treasury bills	-	-	340	43.8%
Eurobonds issued by the Turkish government	-	-	19,613	3.5%
Total available for sale securities at fair value	-	-	19,953	
Available for sale securities at cost				
Equity instruments -unlisted	9	-	10	-
Total available for sale securities	9		19,963	
Held to maturity securities at amortized cost				
Debt instruments				
Turkish government bonds	5,259	30.2%	302	43.80%
Eurobonds issued by the Turkish government	-	-	1,490	8.1% - 12.3%
Turkish treasury bills	85,285	30.1%-33.36%	41,649	44.6%-56.1%
Foreign currency government bonds	1,383	5.00%	1,822	-
Total held to maturity securities	91,927		45,263	
Total investment securities	91,936		65,226	

Turk Ekonomi Bankasi Anonim Sirketi

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6. INVESTMENTS IN SECURITIES (continued)

Carrying value of debt instruments given as collateral under repurchase agreements are:

	2003	2002
Trading securities	15,628	29,145

As of December 31, 2003, the carrying value and the nominal amounts (in historical terms) of government securities kept in the Central Bank and in Istanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası Anonim Sirketi (Istanbul Stock Exchange Clearing and Custody Incorporation) for legal requirements and as a guarantee for stock exchange and money market operations are TL 85,847 and TL 85,475 (2002 – TL 38,417 and TL 35,270), respectively.

7. ORIGINATED LOANS AND ADVANCES

	2003					
	Amount			Effective interest rate		
	Turkish Lira	Foreign Currency	Foreign currency indexed	Turkish Lira	Foreign currency	Foreign currency indexed
Corporate loans	417,239	1,166,187	83,854	25%-72%	1.75%-14%	6.6%-14.4%
Consumer loans	24,914	60	14,081	24%-66%	4.2%-13%	5.28%-13%
Credit cards	17,300	1,062	-	83.4%	83.4%	-
Total loans	459,453	1,167,309	97,935			
Loans in arrears	24,415	-	-			
Less: Reserve for possible loan losses	(23,830)	-	-			
	460,038	1,167,309	97,935			

	2002					
	Amount			Effective interest rate		
	Turkish Lira	Foreign currency	Foreign Currency indexed	Turkish Lira	Foreign currency	Foreign currency indexed
Corporate loans	294,130	1,095,374	85,169	25% - 90%	2.75% - 16%	3.5% - 8%
Consumer loans	14,037	394	6,765	0.36% - 84%	3.5% - 4.7%	9% - 10.8%
Credit cards	15,584	1,345	-	93%	93%	-
Total loans	323,751	1,097,113	91,934			
Loans in arrears	23,030	46	-			
Less: Reserve for possible loan losses	(24,319)	(46)	-			
	322,462	1,097,113	91,934			

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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7. ORIGINATED LOANS AND ADVANCES (continued)

Movements in the reserve for possible loan losses:

	2003	2002
Reserve at beginning of year	24,365	13,468
Provision for possible loan losses	5,709	17,707
Recoveries	(3,244)	(1,114)
Provision net of recoveries	2,465	16,593
Loans written off during the year	(77)	(7)
Monetary gain	(2,923)	(5,689)
Reserve at end of year	23,830	24,365

As of December 31, 2003, loans and advances on which interest is not being accrued, or where interest is suspended, amounted to TL 24,415 (2002- TL 23,076). There is no uncollected interest accrued on impaired loans.

8. FACTORING RECEIVABLES AND PAYABLES

	2003					
	Amount			Effective interest rate		
	Turkish Lira	Foreign Currency (*)	Foreign Currency Indexed	Turkish Lira	Foreign Currency	Foreign Currency Indexed
Open accounts	48,651	25,226	9,070	25.33%-53%	6.02% - 6.50%	6.02% - 6.50%
Checks receivable	27,853	-	-	25.33%-53%	-	-
Notes receivable	4,956	-	-	25.33%-53%	-	-
Doubtful factoring receivables	758	-	-	-	-	-
Total factoring receivables	82,218	25,226	9,070			
Less: Reserve for impairment	(1,092)	-	-	-		
Less: Deferred income	(995)	-	(204)	-		
Net factoring receivables	80,131	25,226	8,866			
Factoring payables	(44,806)	(16,556)	(3,239)			
Funds in use, net	35,325	8,670	5,627			

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8. FACTORING RECEIVABLES AND PAYABLES (continued)

	2002					
	Amount			Effective interest rate		
	Turkish Lira	Foreign Currency	Foreign Currency Indexed	Turkish Lira	Foreign Currency	Foreign Currency Indexed
Open accounts	16,385	26,371	1,879	53% - 58%	5% - 6%	5% - 6%
Checks receivable	32,152	-	-	53% - 58%	-	-
Notes receivable	1,035	-	-	53% - 58%	-	-
Doubtful factoring receivables	652	-	-	-	-	-
Total factoring receivables	50,224	26,371	1,879			
Less: Reserve for impairment	(726)	-	-			
Less: Deferred income	(1,444)	-	-			
Net factoring receivables	48,054	26,371	1,879			
Factoring payables	(15,734)	(16,150)	-			
Funds in use, net	32,320	10,221	1,879			

Movements in the reserve for possible losses:

	2003	2002
Reserve at beginning of year	726	925
Provision for possible losses	456	13
Recoveries	-	-
Provision net of recoveries	456	13
Factoring receivables written off during the year	-	-
Monetary gain	(90)	(212)
Reserve at end of year	1,092	726

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December 31, 2003

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9. MINIMUM LEASE PAYMENTS RECEIVABLE

	2003	2002
Not later than 1 year	102,813	73,436
Later than 1 year and not later than 5 years	67,598	36,851
Later than 5 years	-	1,653
Minimum lease payments receivables, gross	170,411	111,940
Less: Unearned interest income	(17,067)	(12,705)
Net investment in finance leases	153,344	99,235
Less: Reserve for impairment	(2,290)	(1,495)
Minimum lease payments receivables, net	151,054	97,740

Net investment in finance leases are analyzed as follows:

	2003	2002
Not later than 1 year	91,008	64,299
Later than 1 year and not later than 5 years	62,336	33,374
Later than 5 years	-	1,562
Total	153,344	99,235

As of December 31, 2003 and 2002, TL 170,191 and TL 110,991 of gross lease receivables are denominated in foreign currency (mainly US\$ and Euro) and TL, respectively and the effective interest rates are between 11% to 14% (2002-14% to 15%) for foreign currency and 41% to 76% for TL (2002 – 69% to 92%).

Movements in the reserve for impairment:

	2003	2002
Reserve at beginning of year	1,495	1,185
Provision for impairment	1,003	749
Recoveries	-	(30)
Provision net of recoveries	1,003	719
Minimum lease payments receivables written off during the year	(2)	(55)
Monetary gain	(206)	(354)
Reserve at end of year	2,290	1,495

Turk Ekonomi Bankasi Anonim Sirketi

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December 31, 2003

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10. PREMISES AND EQUIPMENT

	Land and Buildings	Leased Assets	Motor Vehicles	Furniture, Office Equipment and Leasehold Improvements	Total
At January 1, 2003, net of accumulated depreciation	9,279	15,741	2,850	20,383	48,253
Additions	1,877	1,386	1,093	11,430	15,786
Disposals	-	-	(92)	(2,438)	(2,530)
Depreciation charge for the year	(257)	(5,220)	(1,098)	(6,423)	(12,998)
Exchange adjustment	-	-	(3)	(46)	(49)
At December 31, 2003, net of accumulated depreciation	10,899	11,907	2,750	22,906	48,462
At December 31, 2002					
Cost	12,504	36,680	6,214	54,748	110,146
Accumulated depreciation	(3,225)	(20,939)	(3,364)	(34,365)	(61,893)
Net carrying amount	9,279	15,741	2,850	20,383	48,253
At December 31, 2003					
Cost	14,381	38,066	7,212	63,743	123,402
Accumulated depreciation	(3,482)	(26,159)	(4,462)	(40,837)	(74,940)
Net carrying amount	10,899	11,907	2,750	22,906	48,462

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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11. INTANGIBLES

	Software Licenses and Other
At January 1, 2003, net of accumulated amortization	4,264
Additions	1,618
Disposals	-
Amortization charge for the year	(1,654)
Exchange adjustment	(15)
At December 31, 2003, net of accumulated amortization	4,213
At December 31, 2002	
Cost	10,708
Accumulated amortization	(6,444)
Net carrying amount	4,264
At December 31, 2003	
Cost	12,213
Accumulated amortization	(8,000)
Net carrying amount	4,213

12. OTHER ASSETS

	2003	2002
Insurance premium receivables	22,722	18,213
Accounts receivable	5,940	2,701
Equipment to be leased	4,641	1,593
Transitory accounts and prepaid expenses	4,283	2,329
Value added taxes receivable	434	1,258
Prepaid taxes	164	561
Others	5,372	7,629
Net carrying amount	43,556	34,284

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13. DEPOSITS

Deposits from other banks

	2003				2002			
	Amount		Effective interest rate		Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Demand	2,507	25,295	0% - 5%	-	851	21,858	0% - 5%	-
Time	78,362	47,815	20%-37%	0.75%-4.25%	37,356	60,336	41%- 49%	2.5% - 3.75%
Total	80,869	73,110			38,207	82,194		

Customers' deposits

	2003				2002			
	Amount		Effective interest rate		Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Saving								
Demand	32,307	24,965	0% - 5%	0.75% - 4%	19,664	3,105	0% - 5%	-
Time	263,622	117,012	12%-46%	0.75% - 5%	173,173	74,359	28%- 65%	0.75% - 5%
	295,929	141,977			192,837	77,464		
Commercial and other								
Demand	107,663	374,953	0% - 5%	0.75% - 4%	99,081	524,322	0% - 5%	-
Time	269,924	1,729,332	12%-46%	0.75% - 5%	123,893	2,075,054	28%- 65%	0.75% - 5%
	377,587	2,104,285			222,974	2,599,376		
Total	673,516	2,246,262			415,811	2,676,840		

Other money market deposits

	2003				2002			
	Amount		Effective interest rate		Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Obligations under repurchase agreements:								
-Due to customers	15,436	-	13.85%-25.96%	-	11,180	-	28.21% - 41%	-
-Due to banks	-	-	-	-	14,831	-	44% - 44.1%	-
	15,436	-			26,011	-		
Interbank deposits	-	-	-	-	-	-	-	-
Other money market deposits	-	-	-	-	-	-	-	-
Total	15,436	-			26,011	-		

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14. FUNDS BORROWED

	2003				2002			
	Amount		Effective interest rate		Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Short-term								
Fixed interest	70,240	135,181	22.68% - 36.31%	2.09%-5.10%	42,351	22,130	36% -71%	4% -7.42%
Floating interest	-	324,322	-	1.27%-7.94%	-	317,529	-	1% -6.22%
Medium/long-term								
Fixed interest	-	-	-	-	-	777	-	-
Floating interest	-	85,993	-	1.43%-7.10%	-	95,292	-	2% -8%
Finance lease obligations	-	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-	-
Total	70,240	545,496			42,351	435,728		

Repayments of medium and long-term borrowing are as follows:

	2003		2002	
	Fixed rate	Floating rate	Fixed rate	Floating rate
2004	-	-	777	27,836
2005	-	43,600	-	17,241
2006	-	15,301	-	14,717
2007	-	10,372	-	13,078
Thereafter	-	16,720	-	22,420
	-	85,993	777	95,292

The Bank has signed an agreement with the International Finance Corporation (IFC) on July 17, 2002, to receive a US\$85 million financing facility. The facility consists of three separate loans. The first loan is a US\$15 million, 7-year term, subordinated convertible loan, bearing an interest rate of Libor + 4.5% and matching BRSA's Tier II Capital definitions as well as contributing to the Bank's capital adequacy ratio. The second loan is a US\$20 million medium-term loan facility to be lent as working capital, investment or export pre-finance needs to TEB' clients with 3-month to 5-year maturity from IFC's own account. The third part of the loan allows for the syndication of up to US\$50 million from private commercial banks.

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.

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15. OTHER LIABILITIES AND PROVISIONS

	2003	2002
Transitory accounts	23,318	11,182
Payment orders	16,056	31,495
Trade payables	12,984	6,059
Insurance technical reserves	12,942	13,629
Payable to credit card member firms	9,384	3,065
Blocked bank cheques	7,857	5,787
Taxes other than on income	6,041	12,775
Employee termination benefits	6,166	4,920
Payments for SDIF and other premiums	5,424	5,713
Others	13,743	29,024
	113,915	123,649

Employee Termination Benefits

In accordance with existing social legislation, the Bank and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL 1.390 and TL 1.260 at December 31, 2003 and December 31, 2002 respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. In the financial statements as of December 31, 2003 and 2002, the Group reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds.

IAS 19 (revised) requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the principal actuarial assumptions used in the calculation of the total liability at the balance sheet dates are as follows:

	2003	2002
Discount rate	18%	43%
Expected rates of limit increases	25%	35%

Actuarial gains and losses are recognized in the income statement in the period they occur.

The movement in provision for retirement pay liability is as follows:

	2003	2002
At January 1,	4,920	4,336
Paid during the year	(813)	(546)
Increase during the year	2,522	2,175
Monetary gain	(463)	(1,045)
At December 31,	6,166	4,920

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15. OTHER LIABILITIES AND PROVISIONS (continued)

Insurance Technical Reserves

	2003	2002
Unearned premiums reserve	12,019	15,129
Unearned premiums reserve, reinsurer's share	(4,835)	(5,928)
	7,184	9,201
Deferred commission income	2,140	2,286
Claim provision	8,664	6,743
Claim provision, reinsurer's share	(5,046)	(4,601)
	3,618	2,142
Total	12,942	13,629

16. INCOME TAXES

General Information

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in the countries in which the Group companies operate.

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.

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16. INCOME TAXES (continued)

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.

In Turkey, tax regulations do not provide a procedure for final agreement of tax assessments. Tax returns are filed within the fourth month after the end of the year to which they relate to and tax authorities may examine the accounting records and revise assessments within five years.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

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, depending on the status of the current year annual inflation rate, a new tax legislation is likely to be put in practice, in which, 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 carryforwards related with 2003 and prior periods will be utilized at their historical (nominal) values in 2004 and future years.

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%.

As of December 31, 2003 and 2002, prepaid income taxes are netted off with the current income tax payable as stated below:

	2003	2002
Income tax payable	41,792	27,000
Prepaid income taxes	(32,813)	(11,736)
	8,979	15,264

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16. INCOME TAXES (continued)

	2003	2002
Consolidated income statement		
<i>Current income tax</i>		
Current income tax charge	38,342	33,221
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(7,562)	(943)
Income tax expense reported in consolidated income statement	30,780	32,278

A reconciliation of income tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the group's effective income tax rate for the years ended December 31 was as follows:

	2003	2002
Net profit/loss from ordinary activities before income tax	85,313	59,108
At Turkish statutory income tax rate of 30% (2002 – 33%)	25,594	19,506
Effect of different income tax rates in other countries	-	91
Income not subject to tax	(13,903)	(13,624)
Expenditure not allowable for income tax purposes	5,740	12,494
Utilization of previously unrecognized tax losses	-	(1,705)
Effect of temporary differences between IFRS and statutory historical income	(7,562)	(943)
Effect of restatement and others	20,911	16,459
Income tax	30,780	32,278

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16. INCOME TAXES (continued)

Deferred income tax

Deferred income tax at December 31, relates to the following:

	Consolidated Balance Sheet	
	2003	2002
Deferred income tax liabilities		
Difference between tax and book bases of premises and equipment and intangible assets	633	6,713
Deferred gains and losses on foreign exchange contracts	-	1,526
Deferred acquisition costs related to insurance contracts	1,283	1,381
Others	181	675
Gross deferred income tax liabilities	2,097	10,295
Deferred income tax assets		
Loan loss provisions	2,913	2,290
Unearned premium reserve and claim provisions	1,027	2,149
Deferred gains and losses on foreign exchange contracts	857	1,717
Post-employment benefits	1,557	1,623
Others	1,201	144
Gross deferred income tax assets	7,555	7,923
Net deferred income tax liability	-	2,372
Net deferred income tax asset	5,458	-

Movement of net deferred tax liability/ (asset) can be presented as follows:

	2003	2002
Balance at January 1	2,372	4,459
Deferred income tax recognized in income statement	(7,562)	(943)
Monetary gain/loss	(268)	(1,144)
Balance at December 31	(5,458)	2,372

Deferred income tax liabilities have not been established for the withholding and other taxes that would be payable on the unremitted earnings of certain subsidiaries incorporated in Turkey, as it is not certain whether such amounts will be permanently reinvested or received in cash. Such unremitted earnings totaled to TL 9,684 at December 31, 2003 (2002 – TL 8,580) at nominal values. If such amounts are collected in cash in the form of dividends, they will be subject to withholding tax at the effective rates of 5.5% to 16.5% depending on whether the subsidiary is publicly quoted or not.

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17. DERIVATIVES

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards, swaps, futures and options.

The table below shows the favorable (assets) and unfavorable (liabilities) fair values of derivative financial instruments together with the notional amounts analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

The fair value of derivative financial instruments is calculated by using forward exchange rates at the balance sheet date. In the absence of reliable forward rate estimations in a volatile market, current market rate is considered to be the best estimate of the present value of the forward exchange rates.

2003							
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months
Derivatives held for trading							
Forward purchase contract	4,145	-	203,610	80,772	81,754	26,190	14,894
Forward sale contract	-	5,992	206,247	81,428	82,885	27,008	14,926
Currency swap purchase	240	-	136,659	136,249	410	-	-
Currency swap sale	-	1,121	137,588	137,124	464	-	-
	4,385	7,113	684,104	435,573	165,513	53,198	29,820
2002							
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months
Derivatives held for trading							
Forward purchase contract	3,783	-	145,800	102,341	20,293	18,496	4,670
Forward sale contract	-	2,751	149,324	105,790	19,958	18,906	4,670
Currency swap purchase	841	-	173,015	146,866	-	26,149	-
Currency swap sale	-	2,454	174,546	148,928	-	25,618	-
	4,624	5,205	642,685	503,925	40,251	89,169	9,340

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18. SHARE CAPITAL

	2003	2002
Number of common shares, TL 500 (in full TL), par value Authorized; Issued and outstanding in 2003 and 2002	110,250 million	110,250 million

Share of TL 500 nominal value each trade in the Istanbul Stock Exchange in the form of units of two shares with a combined nominal value of TL 1,000 each.

As of December 31, 2003 and 2002, the Bank's historical subscribed and issued share capital was TL 55,125 (historical terms).

There was no increase in the share capital of the Bank during 2003 and 2002.

As of December 31, 2003 and 2002, the composition of shareholders and their respective % of ownership are summarized as follows:

	2003		2002	
	Amount	%	Amount	%
TEB Mali Yatirimlar A.S.	38,681	70.17	38,631	70.08
Publicly Traded	11,025	20.00	11,025	20.00
Colakoglu Metalurji A.S.	4,740	8.60	4,740	8.60
Other shareholders	679	1.23	729	1.32
	55,125	100.00	55,125	100.00
Restatement effect	214,998		214,998	
	270,123	100.00	270,123	100.00

As allowed by the BRSA, the Bank has set off prior year losses against legal reserves and restatement effect of share capital.

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 transferring 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.

19. LEGAL RESERVES AND ACCUMULATED PROFITS (DEFICIT)

Legal Reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted. As of December 31, 2003, the Group's legal reserves, which were included within the legal reserves and accumulated profits balance amount to TL 10,039 (2002 - TL 7,294) at nominal values.

The statutory general reserve and statutory current year profit are available for distribution, subject to the reserve requirements referred to above.

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19. LEGAL RESERVES AND ACCUMULATED PROFITS (DEFICIT) (continued)

Dividends

In accordance with the permission for appropriation of profits taken by the Bank from BRSA on February 25, 2004, the 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 after legal reserves from the Bank's 2003 net income, amounting to TL 14,019 (25.43% and 254.3 TL per share).

20. EARNINGS PER SHARE

Basic earnings per share (EPS) are calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

In Turkey, companies can increase their share capital by making a pro rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Bank, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares, which are shown in the table below, without consideration through December 31, 2003.

	Number of Shares (in millions) Issued Attributable to			
	Transfers from Retained Earnings	Transfers from Revaluation Surplus	Reinvestment of Dividend Payments	Total
1995 and before	32	247	2,969	3,248
1996	-	330	1,270	1,600
1997	1,022	596	4,382	6,000
1998	529	682	7,277	8,488
1999	600	2,062	16,338	19,000
2000	-	-	26,068	26,068
2001	-	-	-	-
2002	-	-	-	-
2003	-	-	-	-
	<u>2,183</u>	<u>3,917</u>	<u>58,304</u>	<u>64,404</u>

There is no dilution of shares as of December 31, 2003 and 2002.

The following reflects the income (in full TL) and share data (in billions) used in the basic earnings per share computations:

	2003	2002
Net profit / (loss) attributable to ordinary shareholders for basic earnings per share	<u>495</u>	<u>244</u>
Weighted average number of ordinary shares (in billions) for basic earnings per share	<u>110.25</u>	<u>110.25</u>

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

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21. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Group is controlled by TEB Mali Yatirimlar A.S., which owns 70.17% (2002 – 70.08%) of ordinary shares, and included in Colakoglu Group of companies. For the purpose of these consolidated financial statements, unconsolidated subsidiaries, associates, shareholders and Colakoglu Group companies are referred to as related parties. Related parties also include individuals that are principal owners, management and members of the Group's Board of Directors and their families.

In the course of conducting its banking business, the Group conducted various business transactions with related parties on commercial terms and at rates which approximate market rates.

The following transactions have been entered into with related parties:

Related party		Placements with bank	Cash loans(*)	Non-cash loans	Minimum lease payments receivable	Premium receivable	Funds borrowed	Deposits taken	Notional amount of derivative transactions	Interest income	Interest expense	Other operating income	Other Operating expense
Shareholders	2003	-	64,907	1,346	-	812	-	165,750	22,537	6,375	(5,572)	23	(944)
	2002	-	117,528	7,668	-	2,844	-	213,223	49,350	4,950	(2,792)	521	(926)
Others	2003	40,964	2,717	4,611	-	519	51,676	679,055	33,841	2,997	(12,982)	67	(432)
	2002	19,895	11,570	4,983	39	2,714	50,301	865,097	27,899	11,925	(15,547)	623	(1,161)

(*) Cash loans granted to related parties include TL 64,201 (2002 – TL 116,851) of cash collateralized loans.

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22. SALARIES AND EMPLOYEE BENEFITS

	2003	2002
Staff costs		
Wages and salaries	56,280	52,534
Bonuses	3,159	1,715
Other fringe benefits	6,062	6,244
Provision for employee termination benefits	2,522	2,175
Cost of defined contribution plan (employers' share of social security premiums)	7,548	5,809
Total	75,571	68,477

The average number of employees during the year is:

	2003	2002
The Bank	1,849	1,570
Subsidiaries	329	318
Total	2,178	1,888

23. OTHER INCOME/OTHER EXPENSES

Other income

	2003	2002
Fund management fees	6,106	5,152
Insurance technical income	2,884	6,287
Others	15,204	8,504
Total	24,194	19,943

Other expenses

	2003	2002
Rent expense	11,470	13,110
Communication expense	6,775	7,748
Maintenance expense	4,826	1,172
SDIF premium	4,918	10,139
Advertisement expenses	3,652	4,328
Various administrative expenses	22,587	19,791
Total	54,228	56,288

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24. COMMITMENTS AND CONTINGENCIES

In the normal course of business activities, the Bank and its subsidiaries undertake various commitments and incur certain contingent liabilities that are not presented in the financial statements including:

	2003	2002
Letters of guarantees		
- issued by the Bank	690,636	630,591
- obtained by consolidated subsidiaries from other banks	40,154	30,996
Letters of credit	430,692	366,879
Acceptance credits	48,514	45,988
Total non-cash loans	1,209,996	1,074,454
Other commitments	231,046	140,112
Credit card limit commitments	107,169	76,724
	1,548,211	1,291,290

Trust Assets

The nominal values of the assets held by the Group in fiduciary, agency or custodian capacities amounted to TL 2,392,102 and millions of EURO 57.7 (2002 - TL 1,759,766 and millions of EURO 40.2) at December 31, 2003.

Letters of Guarantee Given to Istanbul Stock Exchange (ISE) and Istanbul Gold Market (IGM)

As of December 31, 2003 and 2002, in line with the requirements of IGM letters of guarantee amounting to US\$1,610,000 had been obtained from local banks and were provided to IGM for transactions conducted in that market.

As of December 31, 2003 and 2002, according to the general requirements of the ISE, letters of guarantee amounting to TL 1,902 (in historical terms) and US\$17 million had been obtained from various local banks and were provided to the ISE for bond and stock market transactions. Also, as of December 31, 2003 and 2002, according to the general requirements, letters of guarantee amounting to TL 722 and TL 2,346 (in historical terms) were given to the Capital Market Board, respectively.

Other

The Group manages nine open-ended investment funds, which were established under the regulations of the Turkish Capital Board. In accordance with the funds' charters, the Group purchases and sells marketable securities on behalf of funds, markets their participation certificates and provides other services in return for a management fee and undertakes management responsibility for their operations.

As of December 31, 2003 and 2002, the total value of the investment funds managed by the Group amounted to TL 278,799 and TL 373,194 respectively.

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25. FINANCIAL RISK MANAGEMENT

General

The Risk Management Group is headed by a dedicated member of the Board who is assigned as Risk Supervisor. The group reports to the Board of Directors and manages Market Risk, Credit Risk and Operational Risk.

Board of Directors sets limits and risks taken for all money, capital and commodity markets and counterparties.

Credit Risk

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

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

The risks and limits generated from treasury and client based commercial transactions are followed up daily. Additionally, the control of the limits of the correspondent banks is determined by their ratings and the control of the accepted risk level in relation to the Bank's equity is 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 accepted statements presenting the financial position of the borrowers are audited. The sole reason for accepting unaudited financials, is the timing differences between the lending of the money and the audit period of the borrowers. The unaudited financials are replaced with the audited statements when they become available. The loan limits are determined based on the audited financials and the guarantees are determined by the loan committee according to the borrowers' financial structure and the quality of the transactions.

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

The fulfillment of liabilities in the forward agreements is 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 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 Bank is considered.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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25. FINANCIAL RISK MANAGEMENT (continued)

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.

Sectoral break down of cash and non-cash loans is as follows:

	2003		2002	
	Cash	Non-cash	Cash	Non-cash
Financial institutions and discounted bills	219,788	75,824	237,252	96,881
Metals	172,183	122,172	209,872	102,761
Textiles	219,969	143,193	174,121	118,176
Chemicals and chemical products	108,767	86,425	140,812	81,708
Food, beverage, tobacco	154,559	148,484	116,535	116,619
Wholesale and retailing	152,019	83,939	115,612	94,168
Transportation	112,651	20,898	73,389	35,163
Ready-to-wear textiles	90,425	48,292	72,216	42,849
Wood products	65,829	26,739	69,737	27,816
Machinery	37,115	40,838	36,596	40,630
Construction	30,252	43,246	29,240	32,164
Tourism, transportation, warehousing	25,991	35,440	27,804	27,866
Mining, other than metals	33,793	26,925	21,261	10,997
Electricity and optic devices	20,001	27,356	18,919	17,200
Fuel products	31,519	4,656	14,270	8,085
Fiber and plastic	27,205	33,556	11,725	33,267
Leather and leather products	7,754	3,285	3,840	2,271
Others	144,750	71,768	82,050	45,457
Corporate loans	1,654,570	1,043,036	1,455,251	934,078
Consumer loans	56,428	5,020	35,523	11,802
Letters of guarantee secured by counter guarantees	-	56,560	-	55,319
Confirmed and collateralized letters of credit	-	65,226	-	42,259
Interest accruals	13,699	-	22,024	-
Loans in arrears	24,415	-	23,076	-
Provision for possible loan losses	(23,830)	-	(24,365)	-
	1,725,282	1,169,842	1,511,509	1,043,458

Liquidity Risk

Liquidity risk occurs when there is insufficient amount of cash inflows to fulfill the cash outflows completely on time.

Liquidity risk may occur when market penetration is not adequate, when the open positions cannot be closed at a suitable price and sufficient amount due to barriers and conditions at the markets. The Group's policy is to establish a liquid asset structure that provides comfort in meeting all kinds of liabilities by liquid assets. The Board of Directors of the Bank continuously determines the standards for the liquidity ratios, and controls them, in order to keep this structure.

Turk Ekonomi Bankasi Anonim Sirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2003)

25. FINANCIAL RISK MANAGEMENT (continued)

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

The table below analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at balance sheet date to contractual maturity date.

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
As at December 31, 2003						
Assets						
Cash and balances with the Central Bank	580,112	-	-	-	-	580,112
Deposits with banks and other financial institutions	813,891	6,340	11,747	5,768	-	837,746
Other money market placements	434,685	-	-	-	-	434,685
Reserve deposits at the Central Bank	149,601	-	-	-	-	149,601
Trading securities	1,662	2,441	4,494	4,217	39,674	52,488
Investment securities	1,807	36,983	5,136	123	47,887	91,936
Originated loans and advances	622,648	362,670	311,129	251,051	177,784	1,725,282
Factoring receivables	23,137	62,759	9,377	17,515	1,435	114,223
Minimum lease payments receivable	713	25,389	23,264	40,801	60,887	151,054
Derivative financial instruments	1,738	1,871	387	389	-	4,385
Premises and equipment	-	-	-	-	48,462	48,462
Intangible assets	-	-	-	-	4,213	4,213
Deferred tax assets	-	-	-	-	5,458	5,458
Other assets	25,727	4,956	6,601	5,556	716	43,556
Total assets	2,655,721	503,409	372,135	325,420	386,516	4,243,201
Liabilities:						
Deposits from other banks	98,519	43,883	7,425	4,152	-	153,979
Customers' deposits	2,214,928	350,496	119,206	151,957	83,191	2,919,778
Other money market deposits	15,436	-	-	-	-	15,436
Funds borrowed	64,376	90,946	81,906	292,515	85,993	615,736
Factoring payables	13,363	35,084	15,373	-	781	64,601
Derivative financial instruments	2,920	2,823	1,139	231	-	7,113
Other liabilities and provisions	101,144	1,958	6,252	4,427	134	113,915
Income taxes payable	-	-	8,979	-	-	8,979
Total liabilities	2,510,686	525,190	240,280	453,282	170,099	3,899,537
Net liquidity gap	145,035	(21,781)	131,855	(127,862)	216,417	343,664
As at December 31, 2002						
Total assets	2,745,544	441,750	396,009	221,308	397,557	4,202,168
Total liabilities	2,862,445	263,517	161,969	323,114	284,471	3,895,516
Net liquidity gap	(116,901)	178,233	234,040	(101,806)	113,086	306,652

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December 31, 2003

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2003)

25. FINANCIAL RISK MANAGEMENT (continued)

Market Risk

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.

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 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 Bank. Additionally, the Board of Directors has ensured that the risk management group and senior management have taken necessary precautions to describe, evaluate, control and manage risks faced by the Bank.

Currency Risk

Foreign currency risk indicates the possibilities of the potential losses that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into account and is calculated by using the standard method. Net short and long position of Turkish Lira equivalent of each foreign currency is calculated. The value, which will be a base for calculating the share capital requirement, is computed by taking the higher absolute value of the position by adding to absolute net gold position. Share capital requirement is computed over of this amount.

The Board of Directors of the 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 Bank determines the short position limits that the Bank can hold in accordance with the current legal limitations. The Treasury Department of the Bank is responsible for the management of Turkish Lira or foreign currency price, liquidity and affordability risks that could occur in the domestic and international markets. The monitoring of risk and risk related transactions occurring in the money markets is performed daily and reported to the Bank's Asset-Liability Committee.

The Loan Committee determines the related principles and limitations of the counterparties. The Asset-Liability Committee monitors the limits concerning the maturity structure of the foreign currency transactions and interest rates.

Turk Ekonomi Bankasi Anonim Sirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2003)

25. FINANCIAL RISK MANAGEMENT (continued)

The allocation of assets, liabilities and off balance sheet items in various currencies are:

	Turkish Lira	US Dollars	Euro	Japanese Yen	Others	Total
As at December 31, 2003						
Assets						
Cash and balances with the Central Bank (or central banks)	62,587	496,434	18,787	44	2,260	580,112
Deposits with banks and other financial institutions	91,655	625,901	89,082	186	30,922	837,746
Other money market placements	370,567	64,118	-	-	-	434,685
Reserve deposits at the Central Bank (or central banks)	19,522	109,284	20,795	-	-	149,601
Trading securities	38,846	5,590	6,918	-	1,134	52,488
Investment securities	86,278	5,658	-	-	-	91,936
Originated loans and advances	460,616	944,902	301,618	-	18,146	1,725,282
Factoring receivables	80,110	6,134	18,944	-	9,035	114,223
Minimum lease payments receivable	4,233	45,976	96,800	-	4,045	151,054
Derivative financial instruments	1,137	2,699	449	-	100	4,385
Premises and equipment	42,108	-	6,354	-	-	48,462
Intangible assets	4,134	-	79	-	-	4,213
Deferred tax assets	5,458	-	-	-	-	5,458
Other assets	38,035	1,500	3,998	-	23	43,556
Total assets	1,305,286	2,308,196	563,824	230	65,665	4,243,201
Liabilities						
Deposits from other banks	80,628	26,030	3,666	12	43,643	153,979
Customers' deposits	672,937	1,890,279	307,709	1,817	47,036	2,919,778
Other money market deposits	15,436	-	-	-	-	15,436
Funds borrowed	68,234	447,269	79,380	-	20,853	615,736
Factoring payables	44,806	2,732	10,301	-	6,762	64,601
Derivative financial instruments	3,097	3,928	-	-	88	7,113
Other liabilities and provisions	86,481	8,596	14,852	-	986	113,915
Income taxes payable	8,979	-	-	-	-	8,979
Total liabilities	983,598	2,378,834	415,908	1,829	119,368	3,899,537
Effect of foreign currency swap transactions	(871)	871	-	-	-	-
Net balance sheet position	320,817	(69,767)	147,916	(1,599)	(53,703)	343,664
Off-balance sheet position						
Net notional amount of derivatives	60,410	59,638	(98,920)	1,709	50,483	73,320
Non - cash loans	717,143	570,307	217,144	10,053	33,564	1,542,811
At December 31, 2002						
Total assets	907,718	2,662,858	495,472	21,708	114,412	4,202,168
Total liabilities	628,537	2,770,948	383,503	920	111,608	3,895,516
Net on balance sheet position	279,181	(108,090)	111,969	20,788	2,804	306,652
Off-balance sheet position	(46,177)	192,684	(118,317)	(20,603)	(12,643)	(5,056)

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25. FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk

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

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

The estimations on interest income are performed in connection with economic indicators used in the budget of the 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 Bank management follows the market interest rates daily and revises the interest rates of the Bank when necessary.

The table below summarizes the Group's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the repricing date.

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
As at December 31, 2003								
Assets:								
Cash and balances with the Central Bank	514,236	-	-	-	-	-	65,876	580,112
Deposits with banks and other financial institutions	487,816	6,340	11,747	5,768	-	-	326,075	837,746
Other money market placements	434,685	-	-	-	-	-	-	434,685
Reserve deposits at the Central Bank	149,601	-	-	-	-	-	-	149,601
Trading securities	24,483	3,134	4,497	3,607	15,325	1,442	-	52,488
Investment securities	45,420	36,980	5,136	124	4,276	-	-	91,936
Originated loans and advances	569,003	363,855	313,131	250,597	175,871	-	52,825	1,725,282
Factoring receivables	23,137	62,759	9,377	17,515	1,435	-	-	114,223
Minimum lease payments receivable	713	25,389	23,264	40,801	60,887	-	-	151,054
Derivative financial instruments	1,738	1,871	387	389	-	-	-	4,385
Premises and equipment	-	-	-	-	-	-	48,462	48,462
Intangible assets	-	-	-	-	-	-	4,213	4,213
Deferred tax asset	-	-	-	-	-	-	5,458	5,458
Other assets	8,562	4,956	6,601	5,556	714	-	17,167	43,556
Total assets	2,259,394	505,284	374,140	324,357	258,508	1,442	520,076	4,243,201
Liabilities:								
Deposits from other banks	98,519	43,883	7,425	4,152	-	-	-	153,979
Customers' deposits	2,214,928	350,496	119,206	151,956	83,192	-	-	2,919,778
Other money market deposits	15,436	-	-	-	-	-	-	15,436
Funds borrowed	238,109	115,426	180,225	78,259	3,717	-	-	615,736
Factoring payables	13,363	35,084	15,373	-	781	-	-	64,601
Derivative financial instruments	2,920	2,823	1,139	231	-	-	-	7,113
Other liabilities and provisions	4,926	1,958	6,251	4,427	132	-	96,221	113,915
Income taxes payable	-	-	-	-	-	-	8,979	8,979
Total liabilities	2,588,201	549,670	329,619	239,025	87,822	-	105,200	3,899,537
Balance sheet interest sensitivity gap	(328,807)	(44,386)	44,521	85,332	170,686	1,442	414,876	343,664
Off balance sheet interest sensitivity gap	-	-	(54)	-	-	-	-	(54)
Total interest sensitivity gap	(328,807)	(44,386)	44,667	85,332	170,686	1,442	414,876	343,610

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2003

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2003)

25. FINANCIAL RISK MANAGEMENT (continued)

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
As at December 31, 2002								
Assets:								
Cash and balances with the Central Bank	390,610	-	-	-	-	-	100,215	490,825
Deposits with banks and other financial institutions	1,080,541	15,374	10,295	3,080	-	-	75,230	1,184,520
Other money market placements	471,864	-	-	-	-	-	-	471,864
Reserve deposits at the Central Bank	151,625	-	-	-	-	-	-	151,625
Trading securities	3,070	36,464	12,702	7,773	759	52	310	61,130
Investment securities	302	61,262	1,823	1,489	-	-	350	65,226
Originated loans and advances	463,570	292,259	347,679	178,784	229,217	-	-	1,511,509
Factoring receivables	-	76,304	-	-	-	-	-	76,304
Minimum lease payments receivable	5,338	15,642	14,787	26,114	35,859	-	-	97,740
Derivative financial instruments	1,746	802	2,076	-	-	-	-	4,624
Premises and equipment	-	-	-	-	-	-	48,253	48,253
Intangible assets	-	-	-	-	-	-	4,264	4,264
Deferred tax asset	-	-	-	-	-	-	-	-
Other assets	3,733	3,206	7,088	4,185	-	-	16,072	34,284
Total assets	2,572,399	501,313	396,450	221,425	265,835	52	244,694	4,202,168
Liabilities:								
Deposits from other banks	116,263	2,999	1,139	-	-	-	-	120,401
Customers' deposits	2,563,582	185,751	60,808	94,146	188,364	-	-	3,092,651
Other money market deposits	26,011	-	-	-	-	-	-	26,011
Funds borrowed	37,930	226,311	85,883	115,930	12,025	-	-	478,079
Factoring payables	-	31,884	-	-	-	-	-	31,884
Derivative financial instruments	3,066	641	1,233	265	-	-	-	5,205
Other liabilities and provisions	-	-	6,732	13,629	-	36	103,252	123,649
Income taxes payable	-	-	-	-	-	-	15,264	15,264
Deferred tax liabilities	-	-	-	-	-	-	2,372	2,372
Total liabilities	2,746,852	447,586	155,795	223,970	200,389	36	120,888	3,895,516
On balance sheet interest sensitivity gap	(174,453)	53,727	240,655	(2,545)	65,446	16	123,806	306,652
Off balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-
Total interest sensitivity gap	(174,453)	53,727	240,655	(2,545)	65,446	16	123,806	306,652

Operational Risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal process, people and systems or from external events.

Operational risk, which is inherent in all business activities, is associated with human error, system failure and inadequate controls and procedures. Operational risk includes errors and omissions in business activities, internal and external fraud and natural disasters.

The Bank's first objective is to achieve all qualitative standards of Basel Committee, by implying policy and procedures, ensuring the strict observance of internal code of conduct and also developing strong internal control culture.

Compliance with legal rules, information security, fraud prevention, contingency planning and disaster recovery, and also incident management are the main subjects of the operational risk mitigation controls.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2003

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2003)

25. FINANCIAL RISK MANAGEMENT (continued)

Capital Adequacy

To monitor the adequacy of its capital, the Group uses ratios established by BRSA. These ratios measure capital adequacy (minimum 12% as required by BRSA) by comparing the Group's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. In accordance with the Regulation on the Establishment and Operations of Banks, it is required to maintain minimum 12% capital adequacy ratio on consolidated and unconsolidated basis for the Banks that have a branch at the offshore banking regions (standard ratio is 8%). As of December 31, 2003, the Bank's capital adequacy ratio on a consolidated basis is 15.21% (2002- 16.75%).

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Values

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements at other than fair values.

	Carrying amount		Fair value	
	2003	2002	2003	2002
Financial assets				
Originated loans and advances to customers	1,752,282	1,511,509	1,749,976	1,511,431
Investments held to maturity	91,927	45,263	92,841	44,592
Minimum lease payments receivables	151,054	97,740	147,659	97,990
	1,995,263	1,654,512	1,990,476	1,654,013
Financial liabilities				
Deposits from other banks	153,979	120,401	153,779	120,389
Customer deposits	2,919,778	3,092,651	2,916,817	3,092,048
Funds borrowed	631,172	478,079	631,172	481,537
	3,704,929	3,691,131	3,701,768	3,693,974

Fair values of remaining financial assets and liabilities carried at cost, including deposit with banks and other financial instruments, balances with the Central Bank, reserve deposits, other money market placements, deposits, factoring receivables and payables, funds borrowed under securities repurchase agreements and promissory notes are considered to approximate their respective carrying values due to their short-term nature.

To the extent relevant and reliable information is available from financial markets in Turkey, the fair value of financial instruments is based on such market data. The fair values of other financial instruments are determined by using estimation techniques that include reference to the current market value of another instrument with similar characteristics or by discounting the expected future cash flows at prevailing interest rates.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2003

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2003)

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The interest used to determine the fair values of financial instruments, applied on the balance sheet date to reflect active market price quotations are as follows:

Originated loans and advances:

Currency	Interest Rates Applied (%)	
	December 31, 2003	December 31, 2002
Turkish lira	29.50	37.59
US\$	3.50	5.71
EURO	4.50	5.38

Lease contract receivables:

Currency	Interest Rates Applied (%)	
	December 31, 2003	December 31, 2002
Turkish lira	41.08	70.71
US\$	12.23	11.26
EURO	11.25	13.31
CHF	11.23	9.97

Deposits:

Currency	Interest Rates Applied (%)	
	December 31, 2003	December 31, 2002
Turkish lira	27.54	43.87
US\$	2.51	2.51
EURO	3.01	2.60

Funds borrowed:

Currency	Interest Rates Applied (%)	
	December 31, 2003	December 31, 2002
Turkish lira	29.50	45.23
US\$	3.19	3.25
EURO	5.01	5.67

27. UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK

The Bank's own unconsolidated balance sheets and income statements prepared in accordance with IFRS as of and for the years ended December 31, 2003 and 2002 are included in the Appendix for information purposes only. In the unconsolidated financial statements, the Bank opted to account for investments in subsidiaries at restated cost in accordance with IAS 27. These financial statements have been included within the consolidated financial statements as of the respective dates.

UNCONSOLIDATED BALANCE SHEET

As at December 31, 2003

(Currency -- Millions of Turkish Lira-in equivalent purchasing power at December 31, 2003)

	2003	2002
ASSETS		
Cash and balances with the Central Bank	580,009	490,697
Deposits with banks and other financial institutions	182,342	377,246
Other money market placements	432,178	463,830
Reserve deposits at the Central Bank	149,601	151,625
Trading securities	28,243	35,662
Investment securities	86,156	61,573
Originated loans and advances	1,168,150	920,351
Derivative financial instruments	4,441	5,007
Investments in subsidiaries and associates	131,234	121,709
Premises and equipment	36,351	42,425
Intangible assets	3,396	3,377
Deferred tax assets	4,203	49
Other assets	5,844	8,141
Total assets	2,812,148	2,681,692
LIABILITIES AND EQUITY		
Deposits from other banks	125,420	68,533
Customers' deposits	1,865,078	1,865,916
Other money market deposits	15,436	26,011
Funds borrowed		
- Subordinated debt	21,156	28,393
- Other funds borrowed	369,735	308,189
Derivative financial instruments	7,113	5,205
Other liabilities and provisions	77,377	81,677
Income taxes payable	7,167	11,933
Total liabilities	2,488,482	2,395,857
Share capital issued	55,125	55,125
Adjustment to share capital	214,998	214,998
Legal reserves and accumulated profits (deficit)	53,543	15,712
Total equity	323,666	285,835
Total liabilities and equity	2,812,148	2,681,692

UNCONSOLIDATED INCOME STATEMENT

As at December 31, 2003

(Currency -- Millions of Turkish Lira-in equivalent purchasing power at December 31, 2003)

	2003	2002
Interest income		
Interest on originated loans and advances	178,434	182,427
Interest on securities	24,233	64,981
Interest on deposits with banks and other financial institutions	28,335	19,857
Interest on other money market placements	87,175	97,817
Other interest income	6,637	5,327
Total interest income	324,814	370,409
Interest expense		
Interest on deposits	(139,087)	(126,542)
Interest on other money market deposits	(16,218)	(32,781)
Interest on funds borrowed	(22,628)	(32,466)
Other interest expense	(12,696)	(1,548)
Total interest expense	(190,629)	(193,337)
Net interest income	134,185	177,072
Provision for possible loan losses	(2,465)	(16,546)
Net interest income (expense) after provision for possible loan losses	131,720	160,526
Foreign exchange gain (loss)	11,207	1,284
Net interest income after foreign exchange gain (loss) and provision for possible loan losses	142,927	161,810
Other operating income		
Fees and commissions income	12,982	11,219
Income from banking services	21,032	21,869
Trading income (loss)	41,373	21,394
Other income	26,876	10,625
Total other operating income	102,263	65,107
Other operating expense		
Fees and commissions expense	(13,013)	(17,262)
Salaries and employee benefits	(59,295)	(52,538)
Depreciation and amortization	(12,050)	(12,496)
Taxes other than on income	(11,824)	(14,149)
Other expenses	(43,603)	(41,542)
Total other operating expense	(139,785)	(137,987)
Profit from operating activities before income tax and monetary gain (loss)	105,405	88,930
Income tax	(26,483)	(22,664)
Monetary gain (loss)	(24,764)	(45,841)
Net profit	54,158	20,425