

**Turk Ekonomi Bankasi  
Anonim Sirketi**

**Unconsolidated Financial Statements  
As of March 31, 2004  
Together With Review Report**

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

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

**TURK EKONOMI BANKASI ANONIM SIRKETI  
REVIEW REPORT AS OF MARCH 31, 2004**

We have reviewed the balance sheet of Turk Ekonomi Bankasi Anonim Sirketi as of March 31, 2004 and the related statement of income for the interim period then ended. These financial statements are expressed in the equivalent purchasing power of Turkish lira as of March 31, 2004. These financial statements are the responsibility of the Bank's management. Our responsibility as independent auditors is to issue a review report on these financial statements based on our review.

We conducted our review in accordance with the auditing standards which were determined under the provisions of Banking Law Number 4389. These standards require that the review should be planned and performed to obtain limited assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquires of bank personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly we do not express an opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements of Turk Ekonomi Bankasi Anonim Sirketi at March 31, 2004 are not presented fairly, in all material respects, in accordance with the accounting principles and standards that are based on the Article 13 of the Banking Law number 4389.

**Additional paragraph for convenience translation to English:**

The above mentioned accounting principles differ from International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board and so far as such differences apply to the financial statements of the Bank they mainly relate to the format of financial statements and disclosure requirements, accounting for deferred taxes and accounting for retirement pay liabilities. The effects of the differences between these accounting principles and accounting principles generally accepted in the countries in which the accompanying financial statements are to be used and IFRS have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in the countries of users of the financial statements and IFRS. The Bank's consolidated financial statements prepared in accordance with the accounting principles and standards that are based on the Article 13 of the Banking Law number 4389 will be issued separately.

Guney Serbest Muhasebeci Mali Musavirlik Anonim Sirketi  
An Affiliated Firm of Ernst & Young International

Esra Peri, SMMM

May 5, 2004  
Istanbul, Turkey

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

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**SECTION ONE**

**GENERAL INFORMATION**

**I- Footnotes and Explanations on the Bank's Service Activities and Operating Areas**

- a) Commercial name of the Bank : Turk Ekonomi Bankasi Anonim Sirketi (the Bank)  
Reporting period : 1 January – March 31, 2004  
Address of the head office : Meclis-i Mebusan Caddesi No: 35  
Findikli 34427 - ISTANBUL  
Telephone number : (0212) 251 21 21  
Facsimile number : (0212) 249 65 68  
Web page : www.teb.com.tr  
E-mail address : investor.relations@teb.com.tr
- b) The Bank's service activities and operating areas: The Bank's operating areas include, retail, commercial and corporate banking, fund management operations and project financing
- c) Financial statements and relevant explanations together with the footnotes are stated in Billions of Turkish Lira.

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

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

**III. Explanations on The Interim Financial Statements**

- a) Accounting principles and basis of valuation used in the preparation of year-end financial statements are also used for the preparation of interim financial statements without any changes or exceptions, and are summarized in Section Three below.
- b) There are no transactions realized in the interim period that display a seasonal or a periodical nature.
- c) There are no non-recurring transactions or basic accounting misstatements.
- d) There are no extraordinary items in terms of nature or amount that effect the assets, liabilities, equity, net income or the cash flow of the Bank.
- e) Prior period interim financial statements, do not contain any changes with respect to the estimated values related with the current period. There are no items in the prior period financial statements that are recorded with their estimated value.
- f) There are no convertible bonds or any other debt securities issued during the current period.
- g) In the General Assembly meeting of the Bank, dated March 26, 2004, it was decided to distribute the profit for the year 2003 after providing the legal reserves. The amounts that will be distributed to the shareholders who are subject to and not subject to withholding tax are TL229 and TL 254 (Nominal full TL) respectively for every 1,000 TL nominal shares.
- h) There are no subsequent events that occurred after the preparation date of the interim financial statements which have a material impact on the interim financial statements.
- i) There are no transactions that may cause a structural change for the Bank such as restructuring, mergers and acquisitions, or discontinue of any operations.
- j) There are no subsequent changes in the commitments and contingencies of the Bank that have arisen after the year-end balance sheet date.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS  
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**SECTION TWO**

**UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS**

- I. Balance Sheets – Assets
- II. Balance Sheets – Liabilities
- III. Statements of Income
- IV. Statements of Off Balance Sheet Commitments

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXIV)  
TURK EKONOMI BANKASI A.S.  
BALANCE SHEETS AS OF MARCH 31, 2004 AND DECEMBER 31, 2003  
(Currency-Billions of Turkish lira in equivalent purchasing power at March 31, 2004)**

**I- BALANCE SHEETS – ASSETS**

	Note Ref. (Section five)	Reviewed			Audited		
		Current Period 31.03.2004			Prior Period 31.12.2003		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY</b>		<b>19,616</b>	<b>170,003</b>	<b>189,619</b>	<b>66,555</b>	<b>550,831</b>	<b>617,386</b>
1.1 Cash		9,779	-	9,779	9,021	-	9,021
1.2 Foreign currency		-	51,713	51,713	-	60,920	60,920
1.3 Balances with the Central Bank of Turkey	I-1	9,837	118,290	128,127	57,534	489,911	547,445
<b>II. TRADING SECURITIES (Net)</b>		<b>65,317</b>	<b>13,403</b>	<b>78,720</b>	<b>26,394</b>	<b>2,840</b>	<b>29,234</b>
2.1 Public sector debt securities	I-2	65,317	13,054	78,371	26,394	2,395	28,789
2.1.1 Government bonds	I-2	64,606	847	65,453	25,469	841	26,310
2.1.2 Treasury bills	I-2	710	-	710	924	-	924
2.1.3 Other	I-2	1	12,207	12,208	1	1,554	1,555
2.2 Share certificates		-	-	-	-	-	-
2.3 Other marketable securities		-	349	349	-	445	445
<b>III. BANKS AND OTHER FINANCIAL INSTITUTIONS</b>		<b>24,515</b>	<b>224,818</b>	<b>249,333</b>	<b>42,097</b>	<b>145,025</b>	<b>187,122</b>
3.1 Due from banks		24,515	224,818	249,333	42,097	145,025	187,122
3.1.1 Domestic banks		24,515	134,887	159,402	42,097	59,676	101,773
3.1.2 Foreign banks		-	89,931	89,931	-	85,349	85,349
3.2 Other financial institutions		-	-	-	-	-	-
<b>IV. MONEY MARKET PLACEMENTS</b>		<b>445,000</b>	<b>56,339</b>	<b>501,339</b>	<b>390,868</b>	<b>68,259</b>	<b>459,127</b>
4.1 Interbank money market placements		445,000	56,339	501,339	390,868	68,259	459,127
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
<b>V. SECURITIES AVAILABLE FOR SALE (Net)</b>		<b>86,546</b>	<b>95,039</b>	<b>181,585</b>	<b>10</b>	<b>-</b>	<b>10</b>
5.1 Share certificates	I-3	9	-	9	10	-	10
5.2 Other marketable securities	I-3	86,537	95,039	181,576	-	-	-
<b>VI. LOANS</b>		<b>613,746</b>	<b>723,719</b>	<b>1,337,465</b>	<b>549,157</b>	<b>694,624</b>	<b>1,243,781</b>
6.1 Short term	I-4	533,782	605,604	1,139,386	478,360	637,934	1,116,294
6.2 Medium and long term	I-4	70,859	118,115	188,974	61,775	56,690	118,465
6.3 Loans under follow-up	I-4	25,202	-	25,202	26,003	-	26,003
6.4 Specific provisions (-)	I-4	(16,097)	-	(16,097)	(16,981)	-	(16,981)
<b>VII. FACTORING RECEIVABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. SECURITIES HELD TO MATURITY (Net)</b>		<b>55,221</b>	<b>-</b>	<b>55,221</b>	<b>91,380</b>	<b>-</b>	<b>91,380</b>
8.1 Public sector debt securities	I-5	55,221	-	55,221	91,380	-	91,380
8.1.1 Government bonds	I-5	55,221	-	55,221	91,380	-	91,380
8.1.2 Treasury bills	I-5	-	-	-	-	-	-
8.1.3 Other	I-5	-	-	-	-	-	-
8.2 Other marketable securities	I-5	-	-	-	-	-	-
<b>IX. INVESTMENTS AND ASSOCIATES (Net)</b>		<b>488</b>	<b>-</b>	<b>488</b>	<b>10,411</b>	<b>-</b>	<b>10,411</b>
9.1 Financial investments and associates	I-6	488	-	488	10,411	-	10,411
9.2 Non-Financial investments and associates		-	-	-	-	-	-
<b>X. SUBSIDIARIES (Net)</b>		<b>82,396</b>	<b>48,789</b>	<b>131,185</b>	<b>72,363</b>	<b>56,995</b>	<b>129,358</b>
10.1 Financial subsidiaries	I-7	82,396	48,789	131,185	72,363	56,995	129,358
10.2 Non-Financial subsidiaries		-	-	-	-	-	-
<b>XI. OTHER INVESTMENTS (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XII. FINANCE LEASE RECEIVABLES (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1 Gross finance lease receivables	I-8	-	-	-	-	-	-
12.2 Unearned income (-)	I-8	-	-	-	-	-	-
<b>XIII. RESERVE DEPOSITS</b>		<b>23,534</b>	<b>123,246</b>	<b>146,780</b>	<b>19,177</b>	<b>138,372</b>	<b>157,549</b>
<b>XIV. MISCELLANEOUS RECEIVABLES</b>		<b>367</b>	<b>66</b>	<b>433</b>	<b>313</b>	<b>87</b>	<b>400</b>
<b>XV. ACCRUED INTEREST AND INCOME RECEIVABLES</b>		<b>26,384</b>	<b>9,641</b>	<b>36,025</b>	<b>23,747</b>	<b>7,583</b>	<b>31,330</b>
15.1 Loans	I-9	7,754	4,518	12,272	9,295	3,789	13,084
15.2 Marketable securities	I-9	9,400	198	9,598	2,403	49	2,452
15.3 Other	I-9	9,230	4,925	14,155	12,049	3,745	15,794
<b>XVI. PROPERTY AND EQUIPMENT (Net)</b>		<b>36,928</b>	<b>-</b>	<b>36,928</b>	<b>38,715</b>	<b>-</b>	<b>38,715</b>
16.1 Book value		101,332	-	101,332	100,809	-	100,809
16.2 Accumulated depreciation (-)		(64,404)	-	(64,404)	(62,094)	-	(62,094)
<b>XVII. INTANGIBLE ASSETS [Net]</b>		<b>3,319</b>	<b>-</b>	<b>3,319</b>	<b>3,617</b>	<b>-</b>	<b>3,617</b>
17.1 Goodwill		-	-	-	-	-	-
17.2 Other		9,325	-	9,325	9,287	-	9,287
17.3 Accumulated amortization (-)		(6,006)	-	(6,006)	(5,670)	-	(5,670)
<b>XVIII. OTHER ASSETS</b>	I-10	<b>41,862</b>	<b>754</b>	<b>42,616</b>	<b>34,412</b>	<b>432</b>	<b>34,844</b>
<b>TOTAL ASSETS</b>		<b>1,525,239</b>	<b>1,465,817</b>	<b>2,991,056</b>	<b>1,369,216</b>	<b>1,665,048</b>	<b>3,034,264</b>

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

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXIV)  
TURK EKONOMI BANKASI A.S.  
BALANCE SHEETS AS OF MARCH 31, 2004 AND DECEMBER 31, 2003  
(Currency-Billions of Turkish lira in equivalent purchasing power at March 31, 2004)**

**II- BALANCE SHEETS - LIABILITIES**

	Note Ref. (Section five)	Reviewed			Audited		
		Current Period 31.03.04			Prior Period 31.12.2003		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>		<b>798,856</b>	<b>1,184,537</b>	<b>1,983,393</b>	<b>700,508</b>	<b>1,405,623</b>	<b>2,106,131</b>
1.1 Bank deposits	II-1	66,167	68,053	134,220	65,195	66,251	131,446
1.2 Saving deposits	II-1	375,135	-	375,135	296,421	-	296,421
1.3 Public sector deposits	II-1	13,465	-	13,465	111	-	111
1.4 Commercial deposits	II-1	280,523	-	280,523	293,907	-	293,907
1.5 Other institutions deposits	II-1	63,566	-	63,566	44,874	-	44,874
1.6 Foreign currency deposits	II-1	-	1,109,056	1,109,056	-	1,323,697	1,323,697
1.7 Precious metals deposit accounts	II-1	-	7,428	7,428	-	15,675	15,675
<b>II. MONEY MARKET BALANCES</b>		<b>58,885</b>	<b>-</b>	<b>58,885</b>	<b>16,425</b>	<b>-</b>	<b>16,425</b>
2.1 Interbank money market takings		-	-	-	-	-	-
2.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
2.3 Funds provided under repurchase agreements	II-2	58,885	-	58,885	16,425	-	16,425
<b>III. FUNDS BORROWED</b>		<b>25,635</b>	<b>374,455</b>	<b>400,090</b>	<b>41,658</b>	<b>345,109</b>	<b>386,767</b>
3.1 Funds borrowed from the Central Bank of Turkey		-	-	-	-	-	-
3.2 Other funds borrowed	II-3	25,635	374,455	400,090	41,658	345,109	386,767
3.2.1 Domestic banks and institutions	II-3	25,635	24,934	50,569	25,262	27,392	52,654
3.2.2 Foreign banks, institutions and funds	II-3	-	349,521	349,521	16,396	317,717	334,113
<b>IV. MARKETABLE SECURITIES ISSUED (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1 Bills	II-4	-	-	-	-	-	-
4.2 Asset backed securities	II-4	-	-	-	-	-	-
4.3 Bonds	II-4	-	-	-	-	-	-
<b>V. FUNDS</b>	II-5	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VI. MISCELLANEOUS PAYABLES</b>	II-6	<b>27,871</b>	<b>11,336</b>	<b>39,207</b>	<b>15,154</b>	<b>10,929</b>	<b>26,083</b>
<b>VII. OTHER EXTERNAL RESOURCES</b>	II-7	<b>38,942</b>	<b>8,649</b>	<b>47,591</b>	<b>35,053</b>	<b>6,482</b>	<b>41,535</b>
<b>VIII. TAXES AND OTHER DUTIES PAYABLE</b>		<b>6,371</b>	<b>-</b>	<b>6,371</b>	<b>8,037</b>	<b>-</b>	<b>8,037</b>
<b>IX. FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. FINANCE LEASE PAYABLES (Net)</b>		<b>-</b>	<b>4,380</b>	<b>4,380</b>	<b>-</b>	<b>5,217</b>	<b>5,217</b>
10.1 Finance Lease Payables	II-8	-	5,427	5,427	-	6,427	6,427
10.2 Deferred finance lease expenses ( - )	II-8	-	(1,047)	(1,047)	-	(1,210)	(1,210)
<b>XI. ACCRUED INTEREST AND EXPENSES PAYABLE</b>		<b>31,893</b>	<b>7,653</b>	<b>39,546</b>	<b>24,067</b>	<b>8,055</b>	<b>32,122</b>
11.1 Deposits	II-9	24,917	1,287	26,204	12,502	1,317	13,819
11.2 Borrowings	II-9	1,110	3,033	4,143	1,866	2,449	4,315
11.3 Repurchase agreements	II-9	35	-	35	15	-	15
11.4 Other	II-9	5,831	3,333	9,164	9,684	4,289	13,973
<b>XII. PROVISIONS</b>		<b>50,758</b>	<b>-</b>	<b>50,758</b>	<b>41,969</b>	<b>-</b>	<b>41,969</b>
12.1 General provisions	II-10	8,729	-	8,729	8,399	-	8,399
12.2 Reserve for employee termination benefits	II-10	1,243	-	1,243	1,315	-	1,315
12.3 Provisions for income taxes	II-10	40,492	-	40,492	31,921	-	31,921
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions	II-10	294	-	294	334	-	334
<b>XIII. SUBORDINATED LOANS</b>	II-10	<b>-</b>	<b>19,653</b>	<b>19,653</b>	<b>-</b>	<b>22,258</b>	<b>22,258</b>
<b>XIV. SHAREHOLDERS' EQUITY</b>		<b>341,182</b>	<b>-</b>	<b>341,182</b>	<b>347,720</b>	<b>-</b>	<b>347,720</b>
14.1 Paid-in capital	II-11	57,800	-	57,800	55,125	-	55,125
14.2 Supplementary capital		233,591	-	233,591	233,306	-	233,306
14.2.1 Share premium	II-12	-	-	-	-	-	-
14.2.2 Share cancellation profits		-	-	-	-	-	-
14.2.3 Marketable securities value increase fund		924	-	924	118	-	118
14.2.4 Revaluation fund		-	-	-	622	-	622
14.2.5 Value increase in revaluation fund		-	-	-	-	-	-
14.2.6 Other capital reserves		-	-	-	-	-	-
14.2.7. Effect on inflation accounting on share capital		232,667	-	232,667	232,566	-	232,566
14.3 Profit reserves		6,398	-	6,398	2,601	-	2,601
14.3.1 Legal reserves		6,398	-	6,398	2,601	-	2,601
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		-	-	-	-	-	-
14.3.4 Other profit reserves		-	-	-	-	-	-
14.4 Profit or loss		43,393	-	43,393	56,688	-	56,688
14.4.1 Prior year income/loss		36,717	-	36,717	2,476	-	2,476
14.4.2 Current year income/loss		6,676	-	6,676	54,212	-	54,212
<b>TOTAL LIABILITIES</b>		<b>1,380,393</b>	<b>1,610,663</b>	<b>2,991,056</b>	<b>1,230,591</b>	<b>1,803,673</b>	<b>3,034,264</b>

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

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXIV)**  
**TURK EKONOMI BANKASI A.S.**  
**STATEMENTS OF INCOME FOR THE INTERIM PERIOD ENDED MARCH 31, 2004 AND 2003**  
**(Currency-Billions of Turkish lira in equivalent purchasing power at March 31, 2004)**

<b>III- INCOME AND EXPENSES</b>		<b>(Section five)</b>	<b>Reviewed</b>	<b>Reviewed</b>
			<b>Current Period 31.3.2004</b>	<b>Prior period 31.3.2003</b>
			<b>Total</b>	<b>Total</b>
<b>I.</b>	<b>INTEREST INCOME</b>	III-1	<b>93,263</b>	<b>93,075</b>
1.1	Interest on loans		46,613	46,162
1.1.1	Interest on TL loans		37,829	38,637
1.1.1.1	Short term loans		34,549	36,057
1.1.1.2	Medium and long term loans		3,280	2,580
1.1.2	Interest on foreign currency loans		8,682	7,407
1.1.2.1	Short term loans		7,536	7,031
1.1.2.2	Medium and long term loans		1,146	376
1.1.3	Interest on loans under follow-up		102	118
1.1.4	Premiums received from Resource Utilisation Support Fund		-	-
1.2	Interest received from reserve deposits		1,796	1,641
1.3	Interest received from banks		3,352	7,532
1.3.1	The Central Bank of Turkey		21	-
1.3.2	Domestic banks		2,617	5,546
1.3.3	Foreign banks		714	1,986
1.4	Interest received from money market transactions		18,530	30,754
1.5	Interest received from marketable securities portfolio		22,966	6,878
1.5.1	Trading securities		4,503	1,086
1.5.2	Available-for-sale securities		11,709	808
1.5.3	Held to maturity securities		6,754	4,984
1.6	Other interest income		6	108
<b>II.</b>	<b>INTEREST EXPENSE</b>	III-2	<b>53,571</b>	<b>43,442</b>
2.1	Interest on deposits		44,687	33,981
2.1.1	Bank deposits		4,437	2,676
2.1.2	Saving deposits		19,530	18,150
2.1.3	Public sector deposits		16	-
2.1.4	Commercial deposits		14,677	7,202
2.1.5	Other institutions deposits		439	105
2.1.6	Foreign currency deposits		5,550	5,779
2.1.7	Precious metals vault accounts		38	69
2.2	Interest on money market transactions		3,868	4,259
2.3	Interest on funds borrowed		4,960	5,006
2.3.1	The Central Bank of Turkey		-	-
2.3.2	Domestic banks		1,903	2,262
2.3.3	Foreign banks		2,245	2,744
2.3.4	Other financial institutions		812	-
2.4	Interest on securities issued		-	-
2.5	Other interest expense		56	196
<b>III.</b>	<b>NET INTEREST INCOME (I - II)</b>		<b>39,692</b>	<b>49,633</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME</b>		<b>6,431</b>	<b>5,274</b>
4.1	Fees and commissions received		9,718	9,462
4.1.1	Cash loans		818	1,142
4.1.2	Non-cash loans		3,019	2,444
4.1.3	Other		5,881	5,876
4.2	Fees and commissions paid		3,287	4,188
4.2.1	Cash loans		592	714
4.2.2	Non-cash loans		5	5
4.2.3	Other		2,690	3,469
<b>V.</b>	<b>DIVIDEND INCOME</b>		<b>-</b>	<b>-</b>
5.1	Trading securities		-	-
5.2	Available-for-sale securities		-	-
<b>VI.</b>	<b>NET TRADING INCOME</b>		<b>17,340</b>	<b>(5,348)</b>
6.1	Profit/losses on trading account securities (Net)		6,613	(1,362)
6.2	Foreign exchange gains/losses (Net)		10,727	(3,986)
<b>VII.</b>	<b>PROFIT/LOSS FROM HELD TO MATURITY MARKETABLE SECURITIES</b>	III-3	<b>-</b>	<b>-</b>
<b>VIII.</b>	<b>OTHER OPERATING INCOME</b>	III-4	<b>2,589</b>	<b>5,313</b>
<b>IX.</b>	<b>TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>		<b>66,052</b>	<b>54,872</b>
<b>X.</b>	<b>PROVISION FOR LOAN LOSSES OR OTHER RECEIVABLES (-)</b>	III-5	<b>10,823</b>	<b>1,547</b>
<b>XI.</b>	<b>OTHER OPERATING EXPENSES (-)</b>		<b>30,111</b>	<b>32,361</b>
<b>XII.</b>	<b>NET OPERATING INCOME (IX-X-XI)</b>		<b>25,118</b>	<b>20,964</b>
<b>XIII.</b>	<b>PROFIT/LOSSES FROM ASSOCIATES AND SUBSIDIARIES</b>	III-6	<b>5,874</b>	<b>12,570</b>
<b>XIV.</b>	<b>NET POSITION INCOME/EXPENSE</b>		<b>(14,425)</b>	<b>(22,842)</b>
<b>XV.</b>	<b>INCOME BEFORE TAXES (XII+XIII+ XIV)</b>		<b>16,567</b>	<b>10,692</b>
<b>XVI.</b>	<b>PROVISION FOR TAXES ON INCOME (-)</b>		<b>10,007</b>	<b>(5,960)</b>
<b>XVII.</b>	<b>NET OPERATING INCOME/EXPENSE AFTER TAXES (XV-XVI)</b>		<b>6,560</b>	<b>4,732</b>
<b>XVIII.</b>	<b>EXTRAORDINARY INCOME/EXPENSE AFTER TAXES</b>		<b>116</b>	<b>-</b>
18.1	Extraordinary net income/expense before taxes		116	-
18.1.1	Extraordinary income		116	-
18.1.2	Extraordinary expense (-)		-	-
18.2	Provision for taxes on extraordinary income		-	-
<b>XIX.</b>	<b>NET PROFIT/LOSSES (XVII+XVIII)</b>	III-7	<b>6,676</b>	<b>4,732</b>
	Earnings/Losses per share		57.75	42.92

The accompanying notes are an integral part of these statements.



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**STATEMENTS OF CONTINGENCIES AND COMMITMENTS AS OF MARCH 31, 2004 AND  
 DECEMBER 31, 2003**  
 (Currency-Billions of Turkish lira in equivalent purchasing power at March 31, 2004)

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

	Note Ref. (Section five)	Reviewed			Audited		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>A. OFF BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>860,528</b>	<b>1,645,845</b>	<b>2,506,373</b>	<b>820,511</b>	<b>1,771,313</b>	<b>2,591,824</b>
<b>I. GUARANTEES</b>	IV-2,3	<b>397,545</b>	<b>718,526</b>	<b>1,116,071</b>	<b>400,967</b>	<b>759,901</b>	<b>1,160,868</b>
1.1. Letters of guarantee		397,473	306,442	703,915	400,890	334,663	735,553
1.1.1. Guarantees subject to State Tender Law		38,164	377	38,541	34,894	1,932	36,826
1.1.2. Guarantees given for foreign trade operations		90,281	12,833	103,114	91,013	846	91,859
1.1.3. Other letters of guarantee		269,028	293,232	562,260	274,983	331,885	606,868
1.2. Banks loans		-	47,104	47,104	-	51,669	51,669
1.2.1. Import letter of acceptance		-	47,104	47,104	-	51,669	51,669
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		72	361,229	361,301	77	369,320	369,397
1.3.1. Documentary letters of credit		72	328,448	328,520	77	341,870	341,947
1.3.2. Other letters of credit		-	32,781	32,781	-	27,450	27,450
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Securities issue purchase guarantees		-	-	-	-	-	-
1.7. Other guarantees		-	-	-	-	-	-
1.8. Other collaterals		-	3,751	3,751	-	4,249	4,249
<b>II. COMMITMENTS</b>		<b>354,868</b>	<b>271,413</b>	<b>626,281</b>	<b>355,205</b>	<b>296,931</b>	<b>652,136</b>
2.1. Irrevocable commitments		354,868	213,763	568,631	355,205	296,931	652,136
2.1.1. Asset purchase commitments		-	95,843	95,843	-	-	-
2.1.2. Deposit purchase and sales commitments		-	117,920	117,920	-	296,931	296,931
2.1.3. Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		126,560	-	126,560	131,792	-	131,792
2.1.5. Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for credit card limits	IV-2	113,919	-	113,919	114,139	-	114,139
2.1.8. Other irrevocable commitments		114,389	-	114,389	109,274	-	109,274
2.2. Revocable commitments		-	57,650	57,650	-	-	-
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	57,650	57,650	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>108,115</b>	<b>655,906</b>	<b>764,021</b>	<b>64,339</b>	<b>714,481</b>	<b>778,820</b>
3.1. Forward foreign currency buy/sell transactions		108,115	453,551	561,666	64,339	422,398	486,737
3.1.1. Forward foreign currency transactions-buy		42,379	236,238	278,617	23,396	218,656	242,052
3.1.2. Forward foreign currency transactions-sell		65,736	217,313	283,049	40,943	203,742	244,685
3.2. Swap transactions related to F.c. and interest rates		-	202,355	202,355	-	292,083	292,083
3.2.1. Foreign currency swap-buy		-	101,510	101,510	-	145,110	145,110
3.2.2. Foreign currency swap-sell		-	100,024	100,024	-	146,042	146,042
3.2.3. Interest rate swaps-buy		-	385	385	-	437	437
3.2.4. Interest rate swaps-sell		-	436	436	-	494	494
3.3. Foreign currency and interest rate options		-	-	-	-	-	-
3.3.1. Foreign currency options-buy		-	-	-	-	-	-
3.3.2. Foreign currency options-sell		-	-	-	-	-	-
3.3.3. Interest rate options-buy		-	-	-	-	-	-
3.3.4. Interest rate options-sell		-	-	-	-	-	-
3.4. Foreign currency futures		-	-	-	-	-	-
3.4.1. Foreign currency futures-buy		-	-	-	-	-	-
3.4.2. Foreign currency futures-sell		-	-	-	-	-	-
3.5. Interest rate futures		-	-	-	-	-	-
3.5.1. Interest rate futures-buy		-	-	-	-	-	-
3.5.2. Interest rate futures-sell		-	-	-	-	-	-
3.6. Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V)</b>		<b>1,786,309</b>	<b>704,399</b>	<b>2,490,708</b>	<b>1,886,742</b>	<b>655,121</b>	<b>2,541,863</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>1,404,368</b>	<b>318,743</b>	<b>1,723,111</b>	<b>1,372,220</b>	<b>323,732</b>	<b>1,695,952</b>
4.1. Assets under management		-	-	-	-	-	-
4.2. Investment securities held in custody		561,455	152,887	714,342	525,641	154,349	679,990
4.3. Checks received for collection		782,579	76,789	859,368	795,643	75,358	871,001
4.4. Commercial notes received for collection		60,334	37,856	98,190	50,936	38,291	89,227
4.5. Other assets received for collection		-	51,211	51,211	-	55,734	55,734
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		-	-	-	-	-	-
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>381,941</b>	<b>385,656</b>	<b>767,597</b>	<b>514,522</b>	<b>331,389</b>	<b>845,911</b>
5.1. Marketable securities		39,763	13,562	53,325	23,095	15,564	38,659
5.2. Guarantee notes		5,520	2,123	7,643	6,115	2,438	8,553
5.3. Commodity		80,117	54,940	135,057	200,323	16,276	216,599
5.4. Warranty		-	-	-	-	-	-
5.5. Immovables		130,186	181,696	311,882	149,260	186,534	335,794
5.6. Other pledged items		126,355	133,335	259,690	135,729	110,577	246,306
5.7. Pledged items-depository		-	-	-	-	-	-
<b>TOTAL COMMITMENTS (A+B)</b>		<b>2,646,837</b>	<b>2,350,244</b>	<b>4,997,081</b>	<b>2,707,253</b>	<b>2,426,434</b>	<b>5,133,687</b>

The accompanying notes are an integral part of these statements

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**SECTION THREE**

**ACCOUNTING PRINCIPLES**

**I- Basis of Presentation**

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

**Restatement of Financial Statements in Accordance with The Current Period Purchasing Power**

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

In accordance with the communiqué No:14, the Bank’s financial statements should be restated, taking the current period equivalent purchasing power of Turkish lira into account. In other words, Communiqué No:14 states that, financial statements prepared in terms of the domestic currency of a country with high inflation rate should be restated in accordance with the equivalent purchasing power of the domestic currency at the balance sheet date. Prior period financial statements should also be restated in their entirety to the measuring unit current at the balance sheet date. One characteristic that necessitates the application of inflation accounting under the provisions of Communiqué No : 14 is a cumulative three-year inflation rate approaching or exceeding 100%. Restatement of financial statements is based on both the principles described in Communiqué No.14 and the wholesale price indices published in its appendix and the wholesale price indices announced by the State Institute of Statistics. Detailed information on the application of inflation accounting is given in the section V, footnote VII, “Footnotes and Explanations on Inflation Accounting” of the following footnotes.

**Other Basis of Valuation**

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

**Changes in Accounting Policies and Valuation Methods in the Current Period**

None.

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

Foreign currency forward and swap transactions are evaluated by comparing the period end Bank foreign exchange rates with the forward rate discounted to the balance sheet date since the fair values of the transactions approximate their book values. The resulting gain or loss is reflected to the income statement.

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

**Foreign Currency Assets and Liabilities**

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

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

Financial assets and liabilities are offsetted when the Bank has a legally enforceable right to set off, and when the Bank has the intention of collecting or paying the net amount of related assets and liabilities or when the Bank has the right to off set the assets and liabilities simultaneously. There is no offsetting of financial assets and liabilities at the accompanying financial statements as of March 31, 2004.

**IV- Interest Income and Expense**

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

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

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

Fees and commissions for funds borrowed paid to other financial institutions, which is a part of the transaction costs, are recorded as prepaid expenses and expensed monthly basis.

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

**VI- Securities Held for Trading**

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

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

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

The repurchase agreements made with the clients are recorded in balance sheet accounts in accordance with the Uniform Chart of Accounts. Accordingly, the government bonds and treasury bills sold to clients under repurchase agreements are recorded under the securities held for trading and available for sale in the financial statements and are valued according to the valuation principles of the related accounts. Funds obtained by repurchase agreements are classified as a separate sub account under money markets account in the liabilities. The interest expense accruals are calculated using the effective interest rates for the funds obtained under repurchase agreements and are reflected to the interest and other expense accruals account in the balance sheet.

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

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

As of March 31, 2004, the Bank does not have any reverse repo transactions (2003 – None).

As of March 31, 2004, the Bank does not have any lent marketable securities (2003 – None).

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

Securities held to maturity include securities with fixed or determinable payments and fixed maturity where there is intention of holding till maturity and the relevant conditions exist for funding ability till maturity. This portfolio excludes bank originated loans and receivables.

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

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

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

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

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

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

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

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

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

**IX- Participations**

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

**X- Subsidiaries**

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

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

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

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

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

Allowances are computed and reflected in accordance with the Banking Law No.4389 as revised by Law Number 4672 and 4491, Article 3, Sub Article 11 and Article 11, Sub Article 12 published on the Official Gazette No. 24448 dated June 30, 2001 on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" amended by Communiqués dated 31.01.2002 in the current period financial statements. Furthermore, a general reserve of 0.5% is being provided for the cash loans and other receivables and 0.1 % is provided for non-cash loans. These provisions are reflected to the statement of income under "Provision and Diminishing in Value Expenses – Special Provision Expense". The collection made regarding these loans are first deducted from the principal amount of the loan and the remaining collections are deducted from interest receivables.

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

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

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

There is no goodwill regarding the participations and subsidiaries.

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

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

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

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**XIII- Tangible Fixed Assets**

Buildings are reflected to the financial statements at their restated costs and if necessary reserve for impairment is provided. In accordance with the Communiqué No:14, buildings are appraised by independent real estate appraisal companies at year end. The appraisal values approximate restated costs at March 31, 2004. The straight-line method of depreciation is used for buildings and useful life is considered as 50 years.

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

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

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

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

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

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

**XIV- Leasing Transactions**

Leasing of fixed assets are recorded in accordance with AAR, Article 7 of the Communiqué No:4, "Accounting Standard for Leasing Transactions." In accordance with the above-mentioned article, the leasing transactions, which consist only foreign currency liabilities, are translated to Turkish lira with the exchange rates effective at the transaction dates and they are recorded both as an asset and a liability. The foreign currency liabilities are translated to Turkish lira with the Bank's period end exchange rate. The increases/decreases resulting from the differences in the foreign exchange rates are recorded as expense/income in the relevant period. Lease payments consist of financing costs generated due to leasing, and the amount of the leased asset corresponding to the relevant period. The financing cost resulting from leasing is distributed through the agreement period to form a fixed interest rate.

In addition to the interest expense, the Bank provides depreciation expense for the leased assets in each period. The depreciation rate is determined in accordance with "Accounting Standard for Tangible Fixed Assets" and the depreciation rate used is 20%.

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

The Bank does not have any leasing transactions as lessor.

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**XV- Provisions and Contingent Liabilities**

The provisions and contingent liabilities are determined in accordance with the Communiqué No:8 of AAR, except for the general and specific provisions set for the loans and other receivables. Liabilities generated from past events are recorded by the Bank immediately at the estimated amounts as a provision.

**XVI- Liabilities Regarding Employee Benefits**

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

The Bank has no employees contracted for determined periods.

As of March 31, 2004 and December 31, 2003, the arithmetical averages of the actual payments realized for the previous five years are 8.54% and 8.35% respectively and this forms the base of the provision amount that is set for the retirement and notice pay liabilities.

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

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

**XVII- Taxation**

***Corporate tax***

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

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

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

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

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***Deferred tax***

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

As of March 31, 2004 and December 31, 2003, the deferred tax asset is included in other assets in the accompanying balance sheet and the deferred tax provision is stated under the tax provision in the accompanying income statement.

**XVIII- Additional Explanations on Borrowings**

There are no debt securities issued by the Bank.

The Bank has not issued convertible bonds.

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

The Bank does not have any costs related to share issue as of March 31, 2004. In the General Assembly meeting of the Bank, dated March 26, 2004, it was decided to distribute the profit for the year 2003 after providing the legal reserves. The amounts that will be distributed to the shareholders who are subject to and not subject to withholding tax are TL229 and TL 254 (Nominal full TL) respectively for every 1,000 TL nominal shares. The payment of dividends to the shareholders were started in 2004.

**XX- Acceptances**

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

There are no acceptances presented as liabilities against any assets.

**XXI- Government Incentives**

There are no government incentives utilized by the Bank.

**XXII- Securities at Custody**

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

**XXIII- Impairment of Assets**

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

**XXIV- Other Matters**

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

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

There are no other matters required to be disclosed.



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**SECTION FOUR**

**INFORMATION ON FINANCIAL STRUCTURE**

**I- Capital Adequacy Standard Ratio**

The method used for risk measurement for capital adequacy standard ratio is performed in accordance with the Communiqué on "Measurement and Assessment of Banks Capital Adequacies ", which was published on January 31, 2002 in the Official Gazette numbered 24657. As of March 31, 2004, the Bank's capital adequacy ratio is % 13.57 (December 31, 2003 - %14.88).

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

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

While calculating the basis of non-cash loans subject to credit risk, the net receivable amount from the counter parties found by means of deducting the provision amount set in accordance with the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" is multiplied by the rates presented at the Clause 1, Article 21 of the "Communiqué on Regulations on the Establishment and Operations of Banks", and included in the related risk group and weighted by the related group's risk.

Receivables from counter parties generated from derivative foreign currency and interest rate transactions are included in the related risk group at the loan conversion rates stated in Clause 2, Article 21 of the "Communiqué on Regulations on the Establishment and Operations of Banks" and weighted for a second time by the weight of the related risk group.

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Information related to the capital adequacy ratio:

	Risk Weight			
	0%	20%	50%	100%
<b>Risk Weighted Assets, Liabilities and Non-Cash Loans</b>				
Balance Sheet items (Net)	940,556	249,258	75,316	1,231,052
Cash	61,492	-	-	-
Due from banks	128,127	249,207	-	126
Interbank money market placements	501,339	-	-	-
Receivables from reverse repo transactions	-	-	-	-
Reserve deposits	146,780	-	-	-
Special finance houses	-	-	-	-
Loans	73,775	-	64,347	1,190,238
Loans under follow-up (Net)	-	-	-	9,105
Subsidiaries, associates and investments held to maturity	-	-	-	-
Miscellaneous receivables	-	-	-	433
Marketable securities held to maturity (Net)	-	-	-	-
Advances for assets acquired by financial leasing	-	-	-	-
Financial lease receivables	-	-	-	-
Leased assets (Net)	-	-	10,969	-
Fixed assets (Net)	-	-	-	19,461
Other assets	29,043	51	-	11,689
Off balance sheet items	293,341	473,992	253,714	44,692
Guarantees and pledges	18,525	469,132	70,077	25,428
Commitments	271,413	-	183,637	-
Other off balance sheet items	-	-	-	-
Transactions related with derivative financial instruments	-	-	-	5,566
Interest and income accruals	3,403	4,860	-	13,698
Non risk weighted accounts	-	-	-	-
	1,233,897	723,250	329,030	1,275,744
<b>Total Risk Weighted Assets</b>	-	144,650	164,515	1,275,744

Summary information related to the capital adequacy ratio:

	Current Period	Prior Period
Total Risk Weighted Assets (*)	1,667,422	1,533,322
Shareholders' Equity	226,241	228,155
Shareholders' Equity / Total risk weighted assets (CAR (%))	13.57	14.88

(\*) As of March 31, 2004, the amount includes TL 82,513 (2003 - TL 26,313) of market risk amount.

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

	Current Period	Prior Period
<b>MAIN CAPITAL</b>		
Paid-in Capital	57,800	55,125
Nominal capital	57,800	55,125
Capital commitments (-)	-	-
Effect on Inflation Accounting on Share Capital	232,667	232,566
Share Premium	-	-
Legal Reserves	6,398	2,601
First legal reserve (Turkish Commercial Code 466/1)	3,545	999
Second legal reserve (Turkish Commercial Code 466/2)	2,853	1,602
Other legal reserve per special legislation	-	-
Statute Reserves	-	-
Extraordinary reserves	-	-
Reserves allocated by the General Assembly	-	-
Retained earnings	-	-
Accumulated loss	-	-
Foreign currency share capital exchange difference	-	-
Profit	43,393	56,688
Current period profit	6,676	54,212
Prior period profit	36,717	2,476
Loss (-)	-	-
Current period loss	-	--
Prior period loss	-	-
<b>Total Main Capital</b>	<b>340,258</b>	<b>346,980</b>
<b>SUPPLEMENTARY CAPITAL</b>		
Revaluation Fund	-	622
Furniture, fixture and vehicles	-	-
Buildings	-	-
Profit on sale of associates, subsidiaries and buildings to be transferred to share capital	-	622
Revaluation fund of leasehold improvement	-	-
Increase in the Value of Revaluation Fund	-	-
Foreign Exchange Differences	-	-
General Reserves	8,729	8,399
Provisions for Possible Losses	-	-
Subordinated Loans	19,653	22,258
Marketable Securities and Investment Securities Value Increase Fund	924	118
Associates and subsidiaries	533	118
Available for sale securities	391	-
Structured positions	-	-
<b>Total Supplementary Capital</b>	<b>29,306</b>	<b>31,397</b>
<b>TIER III CAPITAL</b>		
<b>CAPITAL</b>	<b>369,564</b>	<b>378,377</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>143,323</b>	<b>150,222</b>
Investments in unconsolidated financial companies whose main activities are money and capital markets, insurance and that operate with licenses provided in accordance with special laws	131,673	139,769
Leasehold improvements	6,498	7,096
Start-up costs	-	-
Prepaid expenses	5,152	3,357
The negative difference between the market values and the carrying amounts for unconsolidated investments, subsidiaries, other investments and fixed assets	-	-
Subordinated loans given to other banks which operate in Turkey	-	-
Goodwill (Net)	-	-
Capitalized expenses	-	-
	-	-
<b>Total Shareholder's Equity</b>	<b>226,241</b>	<b>228,155</b>

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## **II- Market Risk**

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

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

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

	Amount
Capital to be employed for interest rate risk – standard method	4,453
Capital to be employed for general market risk	4,453
Capital to be employed for specific risk	-
Capital to be employed for options subject to interest rate risk	-
Capital to be employed for common stock position risk – Standard method	-
Capital to be employed for general market risk	-
Capital to be employed for specific risk	-
Capital to be employed for options subject to common stock position risk	-
Capital to be employed for currency risk – Standard method	2,148
Capital liability	2,148
Capital to be employed for options subject to currency risk	-
Total Value-at-risk (VAR)-Internal Model	-
Total capital to be employed for market risk	6,601
Amount subject to market risk	82,513

## **III- Foreign Currency Risk**

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

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

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

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

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As of March 31, 2004, the Bank's net short position is TL 21,371 (December 31, 2003 – TL 19,983 net short) resulting from short position amounting to TL 41,744 (December 31, 2003 - TL 33,907) on the balance sheet and long position amounting to TL 20,373 (December 31, 2003 - TL 13,924) on the off-balance sheet.

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

	24/03/2004	25/03/2004	26/03/2004	29/03/2004	30/03/2004	31/03/2004
USD	1,312,463	1,319,127	1,315,613	1,313,257	1,311,286	1,310,219
CHF	1,033,809	1,031,166	1,025,849	1,018,761	1,023,835	1,025,729
GBP	2,414,486	2,384,550	2,384,905	2,380,634	2,390,300	2,402,368
JPY	12,329	12,404	12,428	12,401	12,361	12,591
EUR	1,608,292	1,600,628	1,598,864	1,590,223	1,599,769	1,602,266

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

	Monthly Average Foreign Exchange Rate
USD	1,315,376
CHF	1,028,162
GBP	2,402,848
JPY	12,099
EUR	1,613,828

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

Current Period	EUR	USD	YEN	OTHER FC	TOTAL
<b>Assets</b>					
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	37,005	254,239	31	2,025	293,300
Due from other banks and financial institutions	28,398	245,794	2,035	4,930	281,157
Trading securities	495	12,559	-	349	13,403
Investment securities available-for-sale	-	95,039	-	-	95,039
Loans (**)	240,685	576,495	-	11,054	828,234
Investments in subsidiaries and participations	48,789	-	-	-	48,789
Investment securities held-to-maturity	-	-	-	-	-
Property and equipment	-	-	-	-	-
Goodwill	-	-	-	-	-
Other assets	1,753	6,919	-	318	8,990
<b>Total Assets</b>	<b>357,125</b>	<b>1,191,045</b>	<b>2,066</b>	<b>18,676</b>	<b>1,568,912</b>
<b>Liabilities</b>					
Bank deposits	8,154	10,492	9	49,398	68,053
Foreign currency deposits (*)	299,918	782,348	2,434	31,784	1,116,484
Funds provided from other financial institutions	36,247	355,638	-	2,223	394,108
Marketable securities issued	-	-	-	-	-
Miscellaneous payables	9,638	1,698	-	-	11,336
Other liabilities	6,572	13,273	-	830	20,675
<b>Total liabilities</b>	<b>360,529</b>	<b>1,163,449</b>	<b>2,443</b>	<b>84,235</b>	<b>1,610,656</b>
<b>Net Balance Sheet Position</b>	<b>(3,404)</b>	<b>27,596</b>	<b>(377)</b>	<b>(65,559)</b>	<b>(41,744)</b>
<b>Net Off-Balance Sheet Position</b>					
Financial derivative assets	8,466	(54,214)	404	65,717	20,373
Financial derivative liabilities	125,367	149,787	2,051	92,730	369,935
Non-cash loans (***)	116,901	204,001	1,647	27,013	349,562
	217,599	456,128	13,653	31,146	718,526
<b>Prior Period</b>					
Total Assets	405,215	1,318,173	109	45,088	1,768,585
Total Liabilities	334,795	1,367,147	1,940	98,610	1,802,492
Net Balance Sheet Position	70,420	(48,974)	(1,831)	(53,522)	(33,907)
Net Off-Balance Sheet Position	(68,578)	26,917	1,820	53,765	13,924
Non-cash loans(***)	213,954	507,661	10,601	27,685	759,901

(\*) Gold account deposits amounting to TL 7,428 (2003 – TL 15,675) are included in the foreign currency deposits.

(\*\*) Foreign currency indexed loans amounting to TL 104,515 (2003 – TL 103,789) are included in the loan portfolio.

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

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#### IV- 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 Bank. The negative effects of the fluctuations in the market interest rates on the financial position and the cash flows are minimized by revising budget targets.

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

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

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

	Up to 1 Months	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non-interest bearing	Total
<b>Current Period</b>							
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	274,908	-	-	-	-	61,542	336,450
Due from banks and other financial institutions	735,172	8,000	2,500	5,000	-	-	750,672
Trading securities	6,882	15,152	644	671	55,371	-	78,720
Securities available-for-sale	53,690	-	-	-	127,886	9	181,585
Loans	510,777	259,866	252,511	157,726	147,480	-	1,328,360
Securities held-to-maturity	55,221	-	-	-	-	-	55,221
Other assets	-	-	-	-	-	260,048	260,048
<b>Total Assets</b>	<b>1,636,650</b>	<b>283,018</b>	<b>255,655</b>	<b>163,397</b>	<b>330,737</b>	<b>321,599</b>	<b>2,991,056</b>
Liabilities							
Bank deposits	59,772	67,672	5,776	1,000	-	-	134,220
Other deposits	1,520,747	175,061	44,666	108,624	75	-	1,849,173
Miscellaneous payables	-	-	-	-	-	39,207	39,207
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	57,640	32,807	258,454	25,397	45,445	-	419,743
Other liabilities	58,963	148	139	288	3,728	485,447	548,713
<b>Total Liabilities</b>	<b>1,697,122</b>	<b>275,688</b>	<b>309,035</b>	<b>135,309</b>	<b>49,248</b>	<b>524,654</b>	<b>2,991,056</b>
Balance Sheet Interest Sensitivity Gap	(60,472)	7,330	(53,380)	28,088	281,489	(203,055)	-
Off Balance Sheet Interest Sensitivity Gap	(51)	-	-	-	-	-	(51)
<b>Total Interest Sensitivity Gap</b>	<b>(60,523)</b>	<b>7,330</b>	<b>(53,380)</b>	<b>28,088</b>	<b>281,489</b>	<b>(203,055)</b>	<b>(51)</b>

The other assets line at the non-interest bearing column consists of tangible fixed assets amounting to TL 36,928 intangible fixed assets amounting to TL 3,319, TL 36,025 of accrued interest and income receivables, participations amounting to TL 488 and subsidiaries amounting to TL 131,185 and the other liabilities line consists of shareholders' equity with a total amount of TL 341,182.

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	Up to 1 Months	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non-interest bearing	Total
<b>Current Period</b>							
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	704,994	-	-	-	-	70,118	775,112
Due from banks and other financial institutions	629,741	3,195	8,520	4,793	-	-	646,249
Trading securities	24,643	1,047	814	588	2,142	-	29,234
Securities available-for-sale	-	-	-	-	-	10	10
Loans	464,099	294,750	224,799	152,974	98,137	-	1,234,759
Securities held-to-maturity	47,790	38,714	4,876	-	-	-	91,380
Other assets	-	-	-	-	-	257,520	257,520
<b>Total Assets</b>	<b>1,871,267</b>	<b>337,706</b>	<b>239,009</b>	<b>158,355</b>	<b>100,279</b>	<b>327,648</b>	<b>3,034,264</b>
Liabilities							
Bank deposits	74,166	45,343	7,677	4,260	-	-	131,446
Other deposits	1,630,677	181,332	79,173	79,213	4,290	-	1,974,685
Miscellaneous payables	-	-	-	-	-	26,083	26,083
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	230,905	38,339	104,946	34,835	-	-	409,025
Other liabilities	16,463	398	426	658	3,697	471,383	493,025
<b>Total Liabilities</b>	<b>1,952,211</b>	<b>265,412</b>	<b>192,222</b>	<b>118,966</b>	<b>7,987</b>	<b>497,466</b>	<b>3,034,264</b>
Balance Sheet Interest Sensitivity Gap	(80,944)	72,294	46,787	39,389	92,292	(169,818)	-
Off Balance Sheet Interest Sensitivity Gap	-	-	(58)	-	-	-	(58)
<b>Total Interest Sensitivity Gap</b>	<b>(80,944)</b>	<b>72,294</b>	<b>46,729</b>	<b>39,389</b>	<b>92,292</b>	<b>(169,818)</b>	<b>(58)</b>

The other assets line at the non-interest bearing column consists of tangible fixed assets amounting to TL 38,715, intangible fixed assets amounting to TL 3,617, TL 31,330 of accrued interest and income receivables, participations amounting to TL 10,411 and subsidiaries amounting to TL 129,358 and the other liabilities line consists of shareholders' equity with a total amount of TL 347,720.

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

	EURO %	USD %	Yen %	TL %
<b>Current Period</b>				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	0.97	0.41	-	14.00
Due from banks and other financial institutions	2.05	1.02	-	22.83
Trading securities	6.50	6.00	-	23.00
Securities available-for-sale	-	6.00	-	26.00
Loans	4.72	4.59	-	31.91
Securities held-to-maturity	-	-	-	30.85
Liabilities				
Bank deposits	2.51	2.10	-	25.59
Other deposits	2.81	2.27	-	25.31
Miscellaneous payables	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	4.06	2.18	-	21.05

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**V- Liquidity Risk**

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

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

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

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

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

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

<b>Current Period</b>	Demand (*)	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Total(**)
<b>Assets</b>						
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and Balances with the Central Bank of Turkey	336,450	-	-	-	-	336,450
Due from banks and other financial institutions	735,172	8,000	2,500	5,000	-	750,672
Trading securities	641	324	1,247	1,147	75,361	78,720
Securities available-for-sale	-	-	-	-	181,585	181,585
Loans	510,777	259,866	252,511	157,726	147,480	1,328,360
Securities held-to-maturity	4,579	-	-	-	50,642	55,221
Other assets	52,530	2,056	2,117	2,195	10,505	260,048
<b>Total Assets</b>	<b>1,640,149</b>	<b>270,246</b>	<b>258,375</b>	<b>166,068</b>	<b>465,573</b>	<b>2,991,056</b>
<b>Liabilities</b>						
Bank deposits	59,772	67,672	5,776	1,000	-	134,220
Other deposits	1,520,747	175,061	44,666	108,624	75	1,849,173
Funds provided from other financial institutions	8,144	32,807	94,676	189,174	94,942	419,743
Marketable securities issued	-	-	-	-	-	-
Miscellaneous payables	39,207	-	-	-	-	39,207
Other liabilities	128,753	7,451	4,428	8,295	7,846	548,713
<b>Total Liabilities</b>	<b>1,756,623</b>	<b>282,991</b>	<b>149,546</b>	<b>307,093</b>	<b>102,863</b>	<b>2,991,056</b>
<b>Net Liquidity Gap</b>	<b>(116,474)</b>	<b>(12,745)</b>	<b>108,829</b>	<b>(141,025)</b>	<b>362,710</b>	<b>-</b>
<b>Prior Period</b>						
Total Assets	1,918,225	342,585	241,635	162,087	174,161	3,034,264
Total Liabilities	1,853,723	274,811	140,404	307,844	67,794	3,034,264
<b>Net Liquidity Gap</b>	<b>64,502</b>	<b>67,774</b>	<b>101,231</b>	<b>(145,757)</b>	<b>106,367</b>	<b>-</b>

(\*) The maturity of up to 1 month of Interbank funds sold amounting to TL 501,339 and domestic and foreign banks placements amounting to TL 230,798 are shown in the demand column. Furthermore, demand deposits amounting to TL 1,035,382 are included in the other deposits and shown at the demand column.

(\*\*) Total column includes other assets amounting to TL 190,645 which consists of TL 131,673 of subsidiaries and participations, TL 36,928 of tangible assets, TL 3,319 of intangible fixed assets, TL 5,152 of prepaid expenses, TL 9,105 of net lons in arrears, TL 3,821 of deferred tax asset and TL 647 of office supply inventory that are not taken in to consideration at the maturity distribution. Other liabilities which matures up to 1 year and over includes shareholders' equity amounting to TL 341,182.



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## SECTION FIVE

FOOTNOTES AND EXPLANATIONS ON  
UNCONSOLIDATED FINANCIAL STATEMENTS

## I- Footnotes And Explanations Related to the Assets

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

	Current Period	Prior Period
Demand unrestricted amount	9,837	57,534
Time unrestricted amount	118,290	489,911
<b>Total</b>	<b>128,127</b>	<b>547,445</b>

## 2. Information about trading portfolio:

## a) Trading securities given as collateral or blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	133	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>133</b>	<b>-</b>	<b>-</b>	<b>-</b>

## b) Trading securities subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	13,258	-	16,181	-
Treasury bills	687	-	-	-
Other debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>13,945</b>	<b>-</b>	<b>16,181</b>	<b>-</b>

As of March 31,2004, trading securities which are not given as collateral amount to TL 64,642 (2003- TL 13,053).

## 3. Information on available for sale portfolio:

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

b) Information on available for sale portfolio:

	Current Period	Prior Period
Debt securities	181,576	-
Quoted in a stock exchange	86,537	-
Not quoted	95,039	-
Share certificates	9	10
Quoted in a stock exchange	-	-
Not quoted	9	10
Provision for impairment (-)	-	-
<b>Total</b>	<b>181,585</b>	<b>10</b>

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- c) Available for sale securities given as collateral or blocked: Marketable securities held to maturity given as collateral consist of public sector debt securities of TL 11,550 (2003-None) given as collateral for regulatory requirements.
- d) Information on investment securities available-for-sale given as collateral or blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	11,550	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>11,550</b>	<b>-</b>	<b>-</b>	<b>-</b>

- e) Information on investment securities available-for-sale subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	44,199	-	-	-
Treasury bills	-	-	-	-
Other debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Toplam</b>	<b>44,199</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 4. Information on loans :

- a) Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	766	1,541	752	1,434
Corporate shareholders	766	1,541	752	1,434
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	1,024	-	1,010	-
<b>Total</b>	<b>1,790</b>	<b>1,541</b>	<b>1,762</b>	<b>1,434</b>

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

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring		
	Cash Loans	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Non-specialized loans	1,324,456	-	509	3,395	-
Discount notes	18,598	-	-	-	-
Export loans	591,915	-	-	-	-
Import loans	-	-	-	-	-
Loans given to financial sector	43,975	-	-	-	-
International loans	35,226	-	-	-	-
Consumer loans	45,266	-	-	-	-
Credit cards	17,671	-	-	-	-
Precious metals loans	6,446	-	464	-	-
Other	565,359	-	45	3,395	-
Specialized loans	-	-	-	-	-
Other receivables	-	-	-	-	-
<b>Total</b>	<b>1,324,456</b>	<b>-</b>	<b>509</b>	<b>3,395</b>	<b>-</b>

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## c) Information on consumer loans :

	Short Term	Medium and Long Term	Total	Interest Income Accrual
<b>Consumer loans-TL</b>	12,514	18,441	30,955	826
Real estate loans	306	2,343	2,648	47
Automotive loans	2,072	10,124	12,196	186
Consumer loans	-	-	-	-
Personnel loans	615	409	1,024	29
Other consumer loans	9,521	5,565	15,086	564
<b>Consumer loans- Indexed to FC</b>	14,311	-	14,311	73
Real estate loans	3,503	-	3,503	15
Automotive loans	10,311	-	10,311	55
Consumer loans	497	-	497	3
Personnel loan	-	-	-	-
Other consumer loans	-	-	-	-
<b>Credit cards</b>	17,671	-	17,671	144
<b>Total Consumer Loans</b>	<b>44,495</b>	<b>18,441</b>	<b>62,937</b>	<b>1,043</b>

## d) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	1,293,134	1,203,285
Foreign loans	35,226	31,474
<b>Total</b>	<b>1,328,360</b>	<b>1,234,759</b>

## e) Loans granted to subsidiaries and investments:

	Current Period	Prior Period
Direct loans granted to subsidiaries and investments	67	126
Indirect loans granted to subsidiaries and investments	-	-
<b>Total</b>	<b>67</b>	<b>126</b>

## f) Specific provisions provided against loans:

	Current Period	Prior Period
Specific provisions		
Loans and receivables with limited collectibility	98	136
Loans and receivables with doubtful collectibility	1,492	1,574
Uncollectible loans and receivables	14,507	15,271
<b>Total</b>	<b>16,097</b>	<b>16,981</b>

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

## g.1) Information on loans and other receivables included in loans under follow-up account which are restructured or rescheduled:

	III. Group Loans and receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Current Period			
(Gross amounts before the specific reserves)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	-	-	7,430
Prior Period			
(Gross amounts before the specific reserves)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	-	-	8,232

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g.2) The movement of loans under follow-up:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Prior period end balance	2,437	3,519	20,047
Additions (+)	1,981	-	56
Transfers from other categories of loans under follow-up (+)	-	1,881	331
Transfers to other categories of loans under follow-up (-)	1,881	331	-
Collections (-)	488	251	552
Write-offs (-)	-	-	-
Index difference (-)	134	207	1,206
Current period end balance	1,915	4,611	18,676
Specific provision (-)	98	1,492	14,507
<b>Net Balances on Balance Sheet</b>	<b>1,817</b>	<b>3,119</b>	<b>4,169</b>

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

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

The loans and other receivables decided to be uncollectible are written off from the assets according to the Tax Law by the decision of the top management in accordance with the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" related to the clause 12 of article 11 and clause 11 of the article 3 of the Bank Law 4389 changed by the laws 4672 and 4491 and announced at the Official Gazette numbered 24448 and dated September 30, 2001.

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

a) Information on held to maturity portfolio:

	Current Period	Prior Period
Debt securities	55,221	91,380
Quoted in a stock exchange	55,221	91,380
Not quoted	-	-
Provision for impairment (-)	-	-
<b>Total</b>	<b>55,221</b>	<b>91,380</b>

b) Movement of held to maturity portfolio :

	Current Period	Prior Period
Beginning balance	91,380	44,363
Effect of inflation (-)	5,233	5,599
Foreign currency differences on monetary assets	-	-
Purchases during year	9,516	53,371
Disposals through sales and redemptions	(40,442)	(755)
Impairment provision	-	-
<b>Closing Balances</b>	<b>55,221</b>	<b>91,380</b>

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

	Current Period				Prior Period			
	Historical Cost		Valuation		Historical Cost		Valuation	
	TL	FC	TL	FC	TL	FC	TL	FC
<b>Held to Maturity Portfolio</b>								
Given as collateral or blocked	55,221	-	58,940	-	89,524	-	89,826	-
Subject to repo transactions	-	-	-	-	-	-	-	-
Held for structural position	-	-	-	-	-	-	-	-
Receivables from securities lending	-	-	-	-	-	-	-	-
Collaterals on securities lending	-	-	-	-	-	-	-	-
<b>Closing Balances</b>	<b>55,221</b>	<b>-</b>	<b>58,940</b>	<b>-</b>	<b>89,524</b>	<b>-</b>	<b>89,826</b>	<b>-</b>

As of December 31, 2003 cost of held to maturity securities which are not given as collateral is TL 1,856, with an amortized cost of TL 1,923.

c.2) Marketable securities held to maturity given as collateral consist of public sector debt securities of TL 55,221 (2003-TL 89,524), given as collateral for regulatory requirements.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bonds and similar investment securities	55,221	-	89,524	-
Other	-	-	-	-
<b>Total</b>	<b>55,221</b>	<b>-</b>	<b>89,524</b>	<b>-</b>

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

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

## 6. Information on participations (Net):

a.1) Information on participations :

	Current Period	Prior Period
Balance at the beginning of the period	10,411	6,848
Movements during the period	-	3,563
Purchases	-	3,576
Free shares obtained profit from current year's share	-	133
Dividends from current year income	-	-
Sales (*)	(10,033)	-
Revaluation increase	110	(146)
Provision for impairment	-	-
<b>Balance at the end of the period</b>	<b>488</b>	<b>10,411</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

(\*) The amount which has been disclosed in sales is the reclassification of Teb Sigorta A.S. as "subsidiaries" due to increase in the effective shareholding percentage of the Bank in relation with the change in its share capital structure.

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## a.2) Valuation of participations:

	Current Period	Prior Period
Valuation with cost	-	10,033
Valuation with fair value	488	378
Valuation with equity method	-	-
<b>Total</b>	<b>488</b>	<b>10,411</b>

## a.3) Participations which are quoted to a stock exchange:

	Current Period	Prior Period
Other financial participation / Varlik Yatirim Ortakligi A.S.	488	378

## a.4) Information related to participations:

Description	Address (City / Country)	Bank's share percentage-If different voting percentage(%)	Bank's risk group share percentage (%)
Varlik Yatirim Ortakligi A.S.	Istanbul /Turkey	24.40	33.32

## Information on participations as presented in table a.4:

Total Assets	Shareholders' Equity(*)	Total Fixed Assets(*)	Interest Income (*)	Income from Marketable Securities Portfolio (*)	Current Period Profit / Loss (*)	Prior Period Profit / Loss (*)	Fair Value (*)
2,299	1,867	8	-	8	(74)	(95)	2,000

(\*)The financial statements of Varlik Yatirim Ortakligi A.S. are prepared in accordance with the Capital Market Board Regulations. The current period data is presented as of March 31, 2004 and the prior period income / loss amounts are presented with their nominal values as of March 31, 2003.

a.5) Information on investments which are sold in current period : None.

a.6) Investments purchased in the current period: None.

## 7. Information on subsidiaries (Net):

## a) Information on subsidiaries:

## a.1) Information on subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	129,358	122,775
Movements during the period	1,827	6,583
Purchases (*)	10,033	304
Free shares obtained profit from current year's share	-	11,741
Dividends from current year income	-	-
Sales	-	-
Revaluation increase (**)	(8,206)	(5,462)
Provision for impairment	-	-
<b>Balance at the end of the period</b>	<b>131,185</b>	<b>129,358</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

(\*) The reclassification of Teb Sigorta A.S. as a subsidiary.

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

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## a.2) Valuation of subsidiaries:

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

	Current Period	Prior Period
Valuation with cost	131,185	129,358
Valuation with fair value	-	-
Valuation with equity method	-	-

## a.3) Subsidiaries which are quoted to a stock exchange: None.

## a.4) Information on subsidiaries:

Description	Address(City/ Country)	Bank's share percentage-If different voting percentage(%)	Bank's risk group share percentage (%)
The Economy Bank N.V.	Netherlands	100.00	100.00
Petek International Holdings B.V.	Netherlands	100.00	100.00
TEB Yatirim Menkul Degerler A.S.	Istanbul/Turkey	74.80	92.87
TEB Finansal Kiralama A.S.	Istanbul/Turkey	68.76	73.29
TEB Kiyetli Madenler A.S.	Istanbul/Turkey	66.00	73.09
TEB Factoring A.S.	Istanbul/Turkey	69.40	73.51
TEB Sigorta A.S.	Istanbul/Turkey	50.00	70.03
TEB Portfoy Yonetimi A.S.	Istanbul/Turkey	46.77	79.68

Information on subsidiaries as presented in table a.4 (\*):

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair Value
1,066,178	79,253	6,789	11,219	484	2,434	1,020	-
1,599	1,590	-	-	-	(15)	1,414	-
25,355	19,529	366	809	-	2,205	318	-
238,266	62,608	134,591	803	-	14,392	6,546	-
175	168	-	-	-	(35)	(1)	-
72,417	8,258	165	288	-	591	1,274	-
35,551	10,437	3,915	117	-	1,035	(2,780)	-
6,218	4,908	305	148	108	770	365	-

(\*) Information is disclosed in statutory amounts.

## a.5) Information on the subsidiaries that were disposed in current period: None.

## a.6) Information on the subsidiaries purchased in current period: None.

## 8. Information on financial lease receivables (Net): None.

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9. Explanations related to interest and income accruals :

a) Information about accrued interest and income receivables:

	Current Period		Prior Period	
	TL	FC	TL	FC
Accrued interest and income receivables				
Interest accruals - due	191	-	362	-
Interest accruals - not due	7,547	4,512	8,912	3,783
Loan commissions and other income accruals - due	-	-	-	-
Loan commissions and other income accruals - not due	16	6	21	6
<b>Total</b>	<b>7,754</b>	<b>4,518</b>	<b>9,295</b>	<b>3,789</b>

b) Information on other interest and income accruals :

	Current Period		Prior Period	
	TL	FC	TL	FC
Other interest and income accruals				
Trading securities	557	45	703	49
Securities available for sale	4,756	153	-	-
Securities held to maturity	4,087	-	1,700	-
Interest accruals of reverse repo transactions	-	-	-	-
Interest accruals of reserve deposits	1,589	152	1,615	167
Income accruals of financial derivative instruments	1,375	4,511	1,212	3,518
Interest and income accruals	-	24	-	13
Income accrual of foreign exchange gains	1,375	4,487	1,212	3,505
Income accruals of financial lease income	-	-	-	-
Others	6,266	262	9,222	60
<b>Total</b>	<b>18,630</b>	<b>5,123</b>	<b>14,452</b>	<b>3,794</b>

10. Information on other assets:

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

	Current Period	Prior Period
Deferred tax	3,821	3,193
Assets held for sale (*)	-	332
Advances given	11	9
Prepaid rent expenses	480	395
Transaction cost related to financial liabilities	2,262	2,245
Prepaid taxes	29,007	24,287
Others	7,035	4,383
<b>Total</b>	<b>42,616</b>	<b>34,844</b>

(\*) Effective from January 1,2004, the assets held for resale have been classified in the "Property and Equipment" and depreciated over their economic lives.

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



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II- Footnotes And Explanations Related to the Liabilities

1. a) Information on maturity structure of deposits:

a.1) Current period :

	7 day Call		Up to 1 month	1-3 Month	3-6 Month	6 Month-1	
	Demand	Accounts				Year	1 Year and over
Saving deposits	23,714	-	82,608	116,126	95,382	36,044	21,261
Foreign currency deposits	340,097	-	408,407	304,188	46,778	8,016	1,570
Residents in Turkey	323,846	-	395,459	297,695	45,930	7,571	1,570
Residents abroad	16,251	-	12,948	6,493	848	445	-
Public sector deposits	12,692	-	-	773	-	-	-
Commercial deposits	62,146	-	64,992	12,160	37,609	101,596	2,020
Other institutions deposits	44,555	-	16,749	205	2,056	1	-
Precious metals deposits	2,161	-	-	5,267	-	-	-
Interbank deposits	11,742	-	29,336	47,000	37,229	8,913	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	42	-	786	-	3,066	1,000	-
Foreign Banks	5,716	-	28,420	47,000	34,163	7,913	-
Special finance houses	5,984	-	130	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>497,107</b>	<b>-</b>	<b>602,092</b>	<b>485,719</b>	<b>219,054</b>	<b>154,570</b>	<b>24,851</b>

a.2) Prior period :

	7 day Call		Up to 1 month	1-3 Month	3-6 Month	6 Month-1	
	Demand	Accounts				Year	1 Year and over
Saving deposits	26,962	-	93,995	68,004	67,810	22,988	16,662
Foreign currency deposits	409,344	-	535,428	346,663	22,223	8,660	1,379
Residents in Turkey	389,016	-	520,299	338,728	20,671	8,152	1,379
Residents abroad	20,328	-	15,129	7,935	1,552	508	-
Public sector deposits	111	-	-	-	-	-	-
Commercial deposits	75,859	-	66,110	40,807	48,512	62,193	426
Other institutions deposits	38,915	-	1,610	2,798	1,550	1	-
Precious metals deposits	4,762	-	-	10,913	-	-	-
Interbank deposits	18,219	-	17,017	57,580	28,183	10,447	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	48	-	-	-	-	-	-
Foreign Banks	3,672	-	17,017	57,580	28,183	10,447	-
Special finance houses	14,499	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>574,172</b>	<b>-</b>	<b>714,160</b>	<b>526,765</b>	<b>168,278</b>	<b>104,289</b>	<b>18,467</b>

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

Saving Deposits	Under the guarantee of saving deposit insurance		Exceeding the limit of saving deposit	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	373,685	286,461	-	-
Foreign currency saving deposits	723,100	855,102	-	-
Other deposits in the form of saving deposits	1,446	1,210	-	-
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
<b>Total</b>	<b>1,098,231</b>	<b>1,142,773</b>	<b>-</b>	<b>-</b>

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

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- b.2) The bank which has settled abroad should disclose, the total amount of savings deposit in Turkey branch, and insured in the country of head office :

	Current Period	Prior Period
Foreign branches' saving deposits	-	-
Off-shore banking regions' saving deposits	2,584	26,866
<b>Toplam</b>	<b>2,584</b>	<b>26,866</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	58,878	-	16,423	-
Financial institutions and organizations	45,000	-	-	-
Other institutions and organizations	6,334	-	10,270	-
Real persons	7,544	-	6,153	-
From foreign transactions	7	-	2	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	7	-	2	-
<b>Total</b>	<b>58,885</b>	<b>-</b>	<b>16,425</b>	<b>-</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	25,635	294,269	41,658	309,233
Medium and long-term	-	80,186	-	35,876
<b>Total</b>	<b>25,635</b>	<b>374,455</b>	<b>41,658</b>	<b>345,109</b>

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

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

**5. Explanation on funds: None.**

**6. Explanation on miscellaneous payables:**

	Current Period	Prior Period
Total amount of cash collateral obtained	194	209

The table consists of blocked accounts regarding cash collateral, loans, import and export transactions

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

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## 8. Explanation on leasing operations:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than a year	687	648	2,212	1,497
1-4 years	4,740	3,732	4,215	3,720
More than 4 years	-	-	-	-
<b>Total</b>	<b>5,427</b>	<b>4,380</b>	<b>6,427</b>	<b>5,217</b>

## 9. Information on interest and expense accruals:

	Current Period		Prior Period	
	TL	FC	TL	FC
Accrued interest on deposits	24,917	1,287	12,502	1,317
Accrued interest on funds borrowed	1,110	3,033	1,866	2,449
Accrued interest on bonds	-	-	-	-
Accrued interest on repurchase agreement transactions	35	-	15	-
Accrued interest on derivative financial instruments	3,432	3,333	3,299	4,276
Accrued interest and expense	-	69	-	36
Foreign exchange losses accrued	3,432	3,264	3,299	4,240
Other interest and expense accruals	2,399	-	6,385	13
<b>Total</b>	<b>31,893</b>	<b>7,653</b>	<b>24,067</b>	<b>8,055</b>

## 10. Provisions and subordinated loans :

## a) Information on general provisions::

	Current Period	Prior Period
General provisions	8,729	8,399
Provisions for First Group Loans and Receivables	7,422	7,046
Provisions for Second Group Loans and Receivables	17	21
Provisions for Non Cash Loans	1,290	1,332
Others	-	-
<b>Total</b>	<b>8,729</b>	<b>8,399</b>

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

## c) Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	-	-	-
From Other Foreign Institutions	-	19,653	-	22,258
<b>Total</b>	<b>-</b>	<b>19,653</b>	<b>-</b>	<b>22,258</b>

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11. Information of Shareholders' Equity:

- a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	57,800	55,125
Preferred stock	-	-

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

Capital System	Paid-in capital	Ceiling
Registered capital system	57,800	100,000

- c) Information on share capital increases and their sources; other information on increased capital shares in current period:

The Bank has increased its share capital from TL 55,125 to TL 57,800 (within its registered share capital ceiling of TL 100,000) by adding the gain on sale of property with a nominal amount of TL 2,675 with respect to the approval of BRSA dated January 21, 2004 and numbered BDDK.KYI.41.1.836.

- d) Information on share capital increases from revaluation funds:

Bank has sold 50% of its Head office building to TEB Sigorta A.S. at December 25, 2003. The gain on sale of this building which amounts to TL 622 (nominal value of TL 2,675) has been classified in the revaluation fund to be added to share capital. This amount has been added to share capital in the current period.

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

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

- g) Information on privileged shares :

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

12. a) Common stock issue premiums, shares and equity instruments:

	Current Period	Prior Period
Number of shares (Thousand)	115,600,000	110,250,000
Preferred stock	-	-
Common stock issue premium	-	-
Common stock canceling profit	-	-
Other equity instruments	-	-
Total common stock issue	115,600,000	110,250,000

13. Information on shareholders having more than 10 % share:

Name/Commercial title	Amounts	Share Percentage	Paid-in capital	Unpaid portion
Teb Mali Yatirimlar	40,558	%70.17	40,558	-

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III- Footnotes And Explanations Related To the Income Statement

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

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

Other fees and commission income amounting to TL 5,881 includes fees and commissions on credit cards amounting to TL 1,269, and other fee and commission expense amounting to TL 2,690 includes fees and commissions on credit cards amounting to TL 1,686.

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

	Current Period	Prior Period
Interest received from investments and subsidiaries	10	1,098

b) Information on financial lease income: None.

c) Interest received from reverse repurchase agreement transactions:

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

	Current Period	Prior Period
Interest expense to investments and subsidiaries	53	92

b) Information on financial lease expenses :

	Current Period	Prior Period
Financial lease expense	23	71

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

Account name	Time Deposits						Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	
TL							
Bank deposits	1	4,436	-	-	-	-	4,437
Saving deposits	140	5,119	4,949	5,251	2,646	1,425	19,530
Public sector deposits	-	-	16	-	-	-	16
Commercial deposits	198	3,435	1,936	3,680	5,371	57	14,677
Other deposits	9	322	8	100	-	-	439
7 days call accounts	-	-	-	-	-	-	-
<b>Total</b>	<b>348</b>	<b>13,312</b>	<b>6,909</b>	<b>9,031</b>	<b>8,017</b>	<b>1,482</b>	<b>39,099</b>
Foreign Currency							
Foreign currency deposits (*)	13	3,125	2,050	277	69	16	5,550
7 days call accounts	-	-	-	-	-	-	-
Precious metal deposits	-	-	38	-	-	-	38
<b>Total</b>	<b>13</b>	<b>3,125</b>	<b>2,088</b>	<b>277</b>	<b>69</b>	<b>16</b>	<b>5,588</b>
<b>Total</b>	<b>361</b>	<b>16,437</b>	<b>8,997</b>	<b>9,308</b>	<b>8,086</b>	<b>1,498</b>	<b>44,687</b>

(\*) Interest expense on foreign currency demand deposits includes TL 597 of foreign bank deposits interest expense.

d) Interest expense on repurchase agreements :

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on repurchase agreements	3,868	-	4,259	-

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

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**4. Information on other operating income :**

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

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

	Current Period	Prior Period
Specific provisions for loans and other receivables	811	262
Unsecured	-	-
Other groups	811	262
General provision expenses	1,262	1,091
Marketable securities impairment expense	1,660	43
Provision for impairment*	-	-
Others (*)	7,090	151
<b>Total</b>	<b>10,823</b>	<b>1,547</b>

(\*) Effective from January 1,2004, the foreign exchange losses on the foreign currency indexed loans are reflected in " Other Provision Expenses". The amount of this expense is TL 7,090 as of March 31,2004.

**6.a) Income and expenses relating to investments and subsidiaries :**

	Current Period	Prior Period
Income and loss from subsidiaries (+/-)	5,874	12,570
Income and loss from investments (+/-)	-	-
<b>Total</b>	<b>5,874</b>	<b>12,570</b>

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

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

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

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

a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period : None.

b) Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods : None.

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

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IV. Footnotes And Explanations Related To the Off-Balance Sheet Commitments

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

- a.1) The Bank's share in contingent liabilities of joint ventures together with other ventures : None.
- a.2) Share of joint ventures in their own contingent liabilities: None.
- a.3) The Bank's contingent liabilities resulting obligations of other ventures in joint ventures : None.

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

- b.1) For contingent assets, if realization probability is close to certain, then it is accounted. If realization probability is low, then it is explained in the footnotes. As of March 31, 2004 there are no contingent assets needed to be explained.
- b.2) For contingent liabilities, if realization probability is close to certain, then provision is set. If there is low or no realization probability, then it is explained in the footnotes : None.

2. Information on off-balance sheet liabilities :

- a) Nature and amount of irrevocable loan commitments : Credit card expenditure limit commitments are TL 113,919 and TL 114,139 as of March 31, 2004 and December 31, 2003 respectively.
- b) Nature and amount of contingent loss and commitments from off-balance sheet items including below statements:

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

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

As of March 31, 2004 total guarantees and commitments consist of letter of guarantees amounting to TL 703,915, acceptances amounting to TL 47,104 and letters of credit amounting to TL 361,301.

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

3.a) Non-cash loans:

	Current Period	Prior Period
Guarantees given against cash loans	51,481	80,179
With maturity of 1 year or less than 1 year	8,281	18,151
With maturity of more than 1 year	43,200	62,028
Other non-cash loans	1,064,590	1,080,689
<b>Total</b>	<b>1,116,071</b>	<b>1,160,868</b>

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

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

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

**Moody's Investor Services: March 2004**

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

**Fitch Ratings: February 2004**

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



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V- Footnotes And Explanations on the Risk Group of the Bank

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

a) Current Period :

Related Parties (*)	Investments and subsidiaries		Direct and indirect shareholders of the Bank		Other entities included in related parties	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	126	8,100	752	1,434	660	4,538
Balance at end of period	67	8,796	766	1,541	109	1,585
Interest and commission income	2	9	-	151	1	4

b) Prior Period :

Related Parties (*)	Investments and subsidiaries		Direct and indirect shareholders of the Bank		Other entities included in related parties	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	224	17,818	722	8,167	12,322	3,014
Balance at end of period	126	8,100	752	1,434	660	4,538
Interest and commission income received	1,098	18	259	1	1,604	9

c.1) Information on related party deposits balances:

Related parties (*)	Investments and subsidiaries		Direct and indirect shareholders of the Bank		Other entities included in related parties	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Balance at beginning of period	14,840	7,240	176,530	220,913	1,547	16,902
Balance at end of period	9,001	14,840	163,557	176,530	15,581	1,547
Interest on deposits	41	92	880	-	468	1,941

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

Related Parties (*)	Investments and subsidiaries		Direct and indirect shareholders of the Bank		Other entities included in related parties	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Trading transactions						
Beginning of period	91,014	63,655	24,003	52,560	36,042	29,713
End of period	115,504	91,014	8,059	24,003	2,343	36,042
Total income/loss	(518)	461	(115)	(569)	(99)	857
Hedging transactions purposes						
Beginning of period	-	-	-	-	-	-
End of period	-	-	-	-	-	-
Total income/loss	(518)	461	(115)	(569)	(99)	857

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

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXIV)**  
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**(Currency-Billions of Turkish lira in equivalent purchasing power at March 31, 2004)**

**2. Disclosures for related parties**

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

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

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

	Amount	% According to the Amounts at the Financial Statements
Cash loans	942	0.07
Non-cash loans	11,922	1.07
Deposits	188,139	9.49
Forward transactions and option agreements	125,906	16.48

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

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

The Bank has financial lease agreements with TEB Finansal Kiralama A.S. As of March 31, 2004 the total leasing obligations related to these agreements amounted to TL 4,380. Additionally, the Bank provides agency services for TEB Sigorta A.S. and TEB Yatirim Menkul Degerler A.S.

In the current period, the Bank has signed a licence agreement with the group companies using "TEB" logo.

Within the limits of the Banking Law, the Bank renders cash and non-cash loans to its related parties and the ratio of these to the Bank's total cash and non-cash loan portfolio is 0.52 %. Amounts of these loans are explained in the note V- 1a.

As of March 31, 2004 the Bank has no purchases and sale of real estate and other assets, transfer of information as a result of research and development and management contracts with the related parties.

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
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TURK EKONOMI BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF MARCH 31, 2004  
AND DECEMBER 31, 2003 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at March 31, 2004)**

**VI- Footnotes And Explanations on Inflation Accounting**

**Inflation Accounting**

The accompanying financial statements are prepared by applying inflation accounting to the financial statements, which are prepared on a historical cost basis, except for the revaluation of fixed assets in line with Turkish Tax Legislation, in accordance with the provisions of Communiqué No : 14 "Accounting Standard Related to the Preparation of Financial Statements in Hyperinflationary Periods" related to ARR. Communiqué No:14 requires banks to restate their financials in the equivalent purchasing power of Turkish Lira at the balance sheet date. One characteristic that necessitates the application of inflation accounting under the provisions of Communiqué No : 14 is a cumulative three-year inflation rate approaching or exceeding 100%. As of March 31, 2004 based on the wholesale price indices announced by the State Institute of Statistics, the cumulative three-year inflation rate in Turkey is 159%.

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

The main guidelines for inflation accounting are as follows:

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

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

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

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

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

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

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

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TURK EKONOMI BANKASI A.S.  
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Indices and conversion factors that are used to restate the accompanying the financial statements as of March 31, 2004, reflecting the restatement for the changes in the general purchasing power of the Turkish is as follows;

Dates	Index	Conversion Factors
December 31, 2003	7,382.1	1.065
December 31, 2002	6,478.8	1.214
December 31, 2001	4,951.7	1.588
March 31, 2004	7,862.2	1.000
March 31, 2003	7,281.8	1.080

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

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

As of March 31, 2004 the total amount of legal reserves and general reserves are TL 11,351 and TL 61,854, respectively, in the Bank's statutory books of account.

Balance sheet and income statement for the period ended March 31, 2004 and 2003 are reviewed. Balance sheet as of December 31, 2003, is audited.

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

#### **VII- Explanations Related To Subsequent Events**

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

- a) In accordance with the decision related with the distribution of profit, declared at the Annual General Meeting of the Bank dated March 26, 2004, the Bank has started to pay dividends to its shareholders who are subject to and not subject to withholding tax with a rate of 22.89% and 25.43% respectively on April 5, 2004.
- b) The impact of significant changes in foreign exchange rates subsequent to the balance sheet date on the foreign currency transactions, items and on the financial statements of the Bank : There are no significant changes.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
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TURK EKONOMI BANKASI A.S.  
NOTES TO FINANCIAL STATEMENTS AS OF MARCH 31, 2004  
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## SECTION SIX

### INDEPENDENT LIMITED REVIEW REPORT

#### I- Explanations on The Independent Limited Review Report

The unconsolidated interim financial statements of the Bank were reviewed by Guney Serbest Muhasebeci Mali Musavirlik A.S. (An Affiliated Firm of Ernst & Young International) and the review report dated May 5, 2004 is presented preceding the interim financial statements.