

**Turk Ekonomi Bankasi  
Anonim Sirketi**

**Consolidated Financial Statements  
As of September 30, 2004  
Together With Review Report**

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

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

**TURK EKONOMI BANKASI ANONIM SIRKETI  
REVIEW REPORT AS OF SEPTEMBER 30, 2004**

To Board of Directors of Turk Ekonomi Bankasi Anonim Sirketi:

We have reviewed the consolidated balance sheet of Turk Ekonomi Bankasi Anonim Sirketi (the Parent Bank) and its subsidiaries as of September 30, 2004 and the related consolidated statement of income for the interim period then ended. These financial statements are expressed in the equivalent purchasing power of Turkish lira as of September 30, 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 consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of Turk Ekonomi Bankasi Anonim Sirketi and its subsidiaries at September 30, 2004 and the consolidated results of their operations for the interim period then ended in accordance with the accounting principles and standards that are based on the Article 13 of the Banking Law.

**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. 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 consolidated 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.

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

Aysen Topay, SMMM

November 26, 2004  
Istanbul, Turkiye

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

	<b>Page no.</b>
<b>SECTION ONE</b>	
General Information	
I. Footnotes and Explanations on the Parent Bank's Service and Operating Areas	1
II. Explanations and Footnotes Regarding the Group of the Parent Bank	1
III. Explanations on Consolidated Interim Financial Statements	1
<b>SECTION TWO</b>	
Consolidated Interim Financial Statements	
I. Consolidated Balance Sheets – Assets	3
II. Consolidated Balance Sheets – Liabilities	4
III. Consolidated Statements of Off Balance Sheet Contingencies and Commitments	5
IV. Consolidated Statements of Income	6
<b>SECTION THREE</b>	
Accounting Principles	
I. Basis of Presentation	7
II. Information about the Parent Bank and the Subsidiaries subject to Consolidation	7
III. Explanations on Forward, Option Contracts and Derivative Instruments	9
IV. Netting of Financial Assets and Liabilities	9
V. Interest Income and Expense	9
VI. Fees and Commission Income and Expense	9
VII. Securities Held for Trading	9
VIII. Sales and Repurchase Agreements and Lending of Securities	10
IX. Securities Held to Maturity, Securities Available for Sale and Bank Originated Loans and Receivables	10
X. Unconsolidated Participations and Subsidiaries	11
XI. Originated Loans and Receivables and Provisions for Loan Impairment	11
XII. Goodwill and Other Intangible Fixed Assets	12
XIII. Tangible Fixed Assets	12
XIV. Leasing Transactions	13
XV. Provisions and Contingent Liabilities	13
XVI. Liabilities Regarding Employee Benefits	13
XVII. Taxation	14
XVIII. Additional Explanations on Borrowings	15
XIX. Paid-in Capital and Share Certificates	15
XX. Acceptances	15
XXI. Government Incentives	15
XXII. Securities at Custody	15
XXIII. Impairment of Assets	15
XXIV. Other Matters	16
<b>SECTION FOUR</b>	
Information on Consolidated Financial Structure	
I. Consolidated Capital Adequacy Standard Ratio	17
II. Consolidated Market Risk	20
III. Consolidated Foreign Currency Risk	20
IV. Consolidated Interest Rate Risk	22
V. Consolidated Liquidity Risk	24
<b>SECTION FIVE</b>	
Footnotes and Explanations on Consolidated Financial Statements	
I. Footnotes and Explanations Related to the Consolidated Assets	26
II. Footnotes and Explanations Related to the Consolidated Liabilities	34
III. Footnotes and Explanations Related to the Consolidated Income Statement	38
IV. Footnotes and Explanations Related to the Consolidated Off-balance Sheet Commitments	40
V. Footnotes and Explanations Related to the Consolidated Statements of Cash Flows	42
VI. Footnotes and Explanations Related to the Risk Group of the Parent Bank	43
VII. Footnotes and Explanations Related to Inflation Accounting	45
VIII. Explanations Related to Subsequent Events	47
<b>SECTION SIX</b>	
Review Report of Independent Auditors	
I. Explanations on the Review Report of Independent Auditors	48

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

SECTION ONE

GENERAL INFORMATION

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

- a) Commercial name of the Bank : Turk Ekonomi Bankasi Anonim Sirketi (the Bank)  
Reporting period : 1 January - 30 September 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 : investorrelations@teb.com.tr
- b) The Parent Bank's service activities and operating areas: The Parent 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- Explanations and Footnotes Regarding the Group of the Parent Bank**

**The Group of the Parent Bank: Turk Ekonomi Bankasi Anonim Sirketi ("the Bank")** is included in the Colakoglu Group. 84.25% of the shares of the Bank belongs to TEB Mali Yatirimlar Anonim Sirketi (TEB Mali Yatirimlar).

**III- Explanations on Consolidated Interim Financial Statements**

- a) Accounting principles and basis of valuation used in the preparation of year-end financial statements are also used for the preparation of interim financial statements except for the changes made according to Communiqué No: 18 "Deferred Taxation" of Accounting Application Regulations effective from July 1, 2004, and are summarized in Section Three below.
- b) There are no transactions realized in the interim period that are seasonal or periodical in nature.
- c) There are no non-recurring transactions or fundamental errors.
- d) There are no items that are extraordinary in terms of their nature or amount that affect the assets, liabilities, equity, net income or the cash flow of the Group.
- 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 values.
- f) There are no convertible bonds or any other debt securities issued during the current period.
- g) In the General Assembly meeting of the Parent Bank, dated March 26, 2004, it was decided to distribute the profit for the year 2003 after providing the legal reserves. The amounts distributed to the shareholders who are subject to and not subject to withholding tax are TL 229 and TL 254 (Nominal full TL) respectively, for every 1,000 TL nominal shares.
- h) No subsequent events that have a material impact on the consolidated interim financial statements occurred after the preparation date of the consolidated interim financial statements, and not reflected in the consolidated interim financial statements.
- i) Except for the changes in the shareholding percentage of associates and subsidiaries as explained in Section V, Part 1, Note 6 and 7., there are no transactions that may cause a structural change for the Parent Bank such as restructuring, mergers and acquisitions, or discontinuation of any operations.
- j) There are no subsequent changes in the commitments and contingencies that have arisen subsequent to the year-end balance sheet date.

**SECTION TWO**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

- I. Consolidated balance sheets - Assets
- II. Consolidated balance sheets - Liabilities
- III. Consolidated statements of off balance sheet commitment
- IV. Consolidated statements of income

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXIV)  
TÜRK EKONOMİ BANKASI A.Ş.  
CONSOLIDATED BALANCE SHEETS RESTATED FOR THE EFFECTS OF INFLATION  
AS OF SEPTEMBER 30, 2004 AND DECEMBER 31, 2003  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

## I- CONSOLIDATED BALANCE SHEETS - ASSETS

	Note Ref. (Section 5)	Reviewed			Audited		
		Current Period 30.09.2004			Prior Period 31.12.2003		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY</b>		<b>39,742</b>	<b>726,753</b>	<b>766,495</b>	<b>68,417</b>	<b>565,701</b>	<b>634,118</b>
1.1 Cash		12,186	-	12,186	9,364	-	9,364
1.2 Foreign currency		-	69,474	69,474	-	62,537	62,537
1.3 Balances with the Central Bank of Turkey	I-1	27,556	655,398	682,954	59,053	502,841	561,894
1.4 Other		-	1,881	1,881	-	323	323
<b>II. TRADING SECURITIES (Net)</b>	I-2	<b>88,987</b>	<b>23,623</b>	<b>112,610</b>	<b>41,240</b>	<b>14,406</b>	<b>55,646</b>
2.1 Public sector debt securities		88,947	23,249	112,196	41,240	13,167	54,407
2.1.1 Government bonds		52,895	2,612	55,507	33,280	864	34,144
2.1.2 Treasury bills		36,051	-	36,051	7,959	-	7,959
2.1.3 Other public sector debt securities		1	20,637	20,638	1	12,303	12,304
2.2 Share certificates		40	-	40	-	-	-
2.3 Other marketable securities		-	374	374	-	1,239	1,239
<b>III. BANKS AND OTHER FINANCIAL INSTITUTIONS</b>		<b>107,511</b>	<b>727,364</b>	<b>834,875</b>	<b>92,909</b>	<b>815,411</b>	<b>908,320</b>
3.1 Due from banks		106,132	706,164	812,296	92,909	815,411	908,320
3.1.1 Domestic banks		54,082	33,520	87,602	70,956	165,982	236,938
3.1.2 Foreign banks		52,050	672,644	724,694	21,953	649,429	671,382
3.1.3 Branches and head office abroad		-	-	-	-	-	-
3.2 Other financial institutions		1,379	21,200	22,579	-	-	-
<b>IV. MONEY MARKET PLACEMENTS</b>		<b>251,955</b>	<b>68,878</b>	<b>320,833</b>	<b>403,925</b>	<b>70,061</b>	<b>473,986</b>
4.1 Interbank money market placements		250,000	68,878	318,878	401,184	70,061	471,245
4.2 Istanbul Stock Exchange money market placements		678	-	678	-	-	-
4.3 Receivables from reverse repurchase agreements		1,277	-	1,277	2,741	-	2,741
<b>V. SECURITIES AVAILABLE FOR SALE (Net)</b>	I-3	<b>176,641</b>	<b>54,640</b>	<b>231,281</b>	<b>10</b>	<b>-</b>	<b>10</b>
5.1 Share certificates		9	-	9	10	-	10
5.2 Other marketable securities		176,632	54,640	231,272	-	-	-
<b>VI. LOANS</b>	I-4	<b>817,122</b>	<b>1,322,355</b>	<b>2,139,477</b>	<b>612,372</b>	<b>1,267,256</b>	<b>1,879,628</b>
6.1 Short term		685,971	961,053	1,647,024	533,695	939,283	1,472,978
6.2 Medium and long term		121,082	361,302	482,384	69,417	327,973	397,390
6.3 Loans under follow-up		20,528	-	20,528	26,689	-	26,689
6.4 Specific provisions (-)		(10,459)	-	(10,459)	(17,429)	-	(17,429)
<b>VII. FACTORING RECEIVABLES</b>		<b>93,563</b>	<b>32,692</b>	<b>126,255</b>	<b>98,334</b>	<b>27,407</b>	<b>125,741</b>
<b>VIII. SECURITIES HELD TO MATURITY (Net)</b>	I-5	<b>68,363</b>	<b>8,508</b>	<b>76,871</b>	<b>93,917</b>	<b>6,056</b>	<b>99,973</b>
8.1 Public sector debt securities		68,363	8,508	76,871	93,917	6,056	99,973
8.1.1 Government bonds		68,363	8,508	76,871	93,792	1,425	95,217
8.1.2 Treasury bills		-	-	-	125	4,631	4,756
8.1.3 Other public sector debt securities		-	-	-	-	-	-
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. UNCONSOLIDATED INVESTMENTS IN ASSOCIATES (Net)</b>		<b>696</b>	<b>-</b>	<b>696</b>	<b>556</b>	<b>-</b>	<b>556</b>
9.1 Financial associates	I-6	696	-	696	556	-	556
9.2 Non-Financial associates		-	-	-	-	-	-
<b>X. UNCONSOLIDATED INVESTMENTS IN SUBSIDIARIES (Net)</b>		<b>404</b>	<b>231</b>	<b>635</b>	<b>419</b>	<b>-</b>	<b>419</b>
10.1 Financial subsidiaries	I-7	404	-	404	419	-	419
10.2 Non-Financial subsidiaries		-	231	231	-	-	-
<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>	I-8	<b>6,192</b>	<b>172,350</b>	<b>178,542</b>	<b>4,627</b>	<b>159,075</b>	<b>163,702</b>
12.1 Gross finance lease receivables		7,429	193,180	200,609	5,174	178,604	183,778
12.2 Unearned income (-)		(1,237)	(20,830)	(22,067)	(547)	(19,529)	(20,076)
<b>XIII. RESERVE DEPOSITS</b>		<b>21,021</b>	<b>169,158</b>	<b>190,179</b>	<b>19,683</b>	<b>142,023</b>	<b>161,706</b>
<b>XIV. MISCELLANEOUS RECEIVABLES</b>		<b>3,730</b>	<b>191</b>	<b>3,921</b>	<b>1,037</b>	<b>1,538</b>	<b>2,575</b>
<b>XV. ACCRUED INTEREST AND INCOME RECEIVABLES</b>	I-9	<b>28,232</b>	<b>13,902</b>	<b>42,134</b>	<b>26,707</b>	<b>14,676</b>	<b>41,383</b>
15.1 Loans		16,069	8,491	24,560	10,653	8,781	19,434
15.2 Marketable securities		7,610	1,213	8,823	2,980	540	3,520
15.3 Other		4,553	4,198	8,751	13,074	5,355	18,429
<b>XVI. PROPERTY AND EQUIPMENT (Net)</b>		<b>44,457</b>	<b>7,931</b>	<b>52,388</b>	<b>45,974</b>	<b>6,945</b>	<b>52,919</b>
16.1 Book value		126,995	8,944	135,939	121,425	7,931	129,356
16.2 Accumulated depreciation (-)		(82,538)	(1,013)	(83,551)	(75,451)	(986)	(76,437)
<b>XVII. INTANGIBLE ASSETS [Net]</b>		<b>4,158</b>	<b>168</b>	<b>4,326</b>	<b>4,270</b>	<b>87</b>	<b>4,357</b>
17.1 Goodwill		461	-	461	461	-	461
17.2 Other		12,633	1,211	13,844	11,951	1,105	13,056
17.3 Accumulated amortization (-)		(8,936)	(1,043)	(9,978)	(8,142)	(1,018)	(9,160)
<b>XVIII. OTHER ASSETS</b>	I-10	<b>45,447</b>	<b>16,179</b>	<b>61,626</b>	<b>69,395</b>	<b>12,316</b>	<b>81,711</b>
<b>TOTAL ASSETS</b>		<b>1,798,221</b>	<b>3,344,923</b>	<b>5,143,144</b>	<b>1,583,792</b>	<b>3,102,958</b>	<b>4,686,750</b>

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

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CONSOLIDATED BALANCE SHEETS RESTATED FOR THE EFFECTS OF INFLATION  
AS OF SEPTEMBER 30, 2004 AND DECEMBER 31, 2003  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

**II- CONSOLIDATED BALANCE SHEETS - LIABILITIES**

		Reviewed			Audited		
		Current Period			Prior Period		
		30.09.2004			31.12.2003		
	Note Ref. (Section Five)	TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	II-1	<b>786,215</b>	<b>2,659,963</b>	<b>3,446,178</b>	<b>810,776</b>	<b>2,529,526</b>	<b>3,340,302</b>
1.1	Bank deposits	85,250	113,632	198,882	86,052	79,936	165,988
1.2	Saving deposits	407,293	-	407,293	318,966	-	318,966
1.3	Public sector deposits	2,590	-	2,590	114	-	114
1.4	Commercial deposits	257,965	-	257,965	359,585	-	359,585
1.5	Other institutions deposits	33,117	-	33,117	46,059	-	46,059
1.6	Foreign currency deposits	-	2,544,254	2,544,254	-	2,433,501	2,433,501
1.7	Precious metals deposit accounts	-	2,077	2,077	-	16,089	16,089
<b>II. MONEY MARKET BALANCES</b>		<b>192,054</b>	<b>-</b>	<b>192,054</b>	<b>16,858</b>	<b>-</b>	<b>16,858</b>
2.1	Interbank money market takings	-	-	-	-	-	-
2.2	Istanbul Stock Exchange money market takings	-	-	-	-	-	-
2.3	Funds provided under repurchase agreements	192,054	-	192,054	16,858	-	16,858
<b>III. FUNDS BORROWED</b>	II-3	<b>78,659</b>	<b>752,088</b>	<b>830,747</b>	<b>74,244</b>	<b>571,238</b>	<b>645,482</b>
3.1	Funds borrowed from the Central Bank of Turkey	-	-	-	-	-	-
3.2	Other funds borrowed	78,659	752,088	830,747	74,244	571,238	645,482
3.2.1	Domestic banks and institutions	52,029	84,912	136,941	34,619	28,115	62,734
3.2.2	Foreign banks, institutions and funds	26,630	667,176	693,806	39,625	543,123	582,748
<b>IV. MARKETABLE SECURITIES ISSUED (Net)</b>	II-4	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1	Bills	-	-	-	-	-	-
4.2	Asset backed securities	-	-	-	-	-	-
4.3	Bonds	-	-	-	-	-	-
<b>V. FUNDS</b>	II-5	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VI. MISCELLANEOUS PAYABLES</b>	II-6	<b>19,686</b>	<b>21,878</b>	<b>41,564</b>	<b>22,481</b>	<b>17,406</b>	<b>39,887</b>
<b>VII. OTHER EXTERNAL RESOURCES</b>	II-7	<b>58,540</b>	<b>6,662</b>	<b>65,202</b>	<b>43,362</b>	<b>7,205</b>	<b>50,567</b>
<b>VIII. TAXES AND OTHER DUTIES PAYABLE</b>		<b>8,929</b>	<b>1,183</b>	<b>10,112</b>	<b>9,825</b>	<b>1,047</b>	<b>10,872</b>
<b>IX. FACTORING PAYABLES</b>		<b>32,939</b>	<b>17,016</b>	<b>49,955</b>	<b>52,520</b>	<b>18,098</b>	<b>70,618</b>
<b>X. FINANCE LEASE PAYABLES (Net)</b>	II-8	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1	Finance Lease Payables	-	-	-	-	-	-
10.2	Deferred finance lease expenses (-)	-	-	-	-	-	-
<b>XI. ACCRUED INTEREST AND EXPENSES PAYABLE</b>	II-9	<b>30,761</b>	<b>14,659</b>	<b>45,420</b>	<b>26,481</b>	<b>16,657</b>	<b>43,138</b>
11.1	Deposits	24,428	4,291	28,719	13,684	6,075	19,759
11.2	Borrowings	2,462	7,421	9,883	2,666	4,560	7,226
11.3	Repurchase agreements	106	-	106	15	-	15
11.4	Other	3,765	2,947	6,712	10,116	6,022	16,138
<b>XII. PROVISIONS</b>	II-10	<b>50,856</b>	<b>3,953</b>	<b>54,809</b>	<b>60,884</b>	<b>7,786</b>	<b>68,670</b>
12.1	General provisions	10,213	-	10,213	8,621	-	8,621
12.2	Reserve for employee termination benefits	2,918	-	2,918	2,581	-	2,581
12.3	Provisions for income taxes	17,036	3,953	20,989	37,407	7,786	45,193
12.4	Insurance technical reserves (Net)	20,125	-	20,125	11,932	-	11,932
12.5	Other provisions	564	-	564	343	-	343
<b>XIII. SUBORDINATED LOANS</b>	II-10	<b>-</b>	<b>22,460</b>	<b>22,460</b>	<b>-</b>	<b>22,846</b>	<b>22,846</b>
<b>XIV. MINORITY RIGHTS</b>		<b>5,943</b>	<b>-</b>	<b>5,943</b>	<b>27,193</b>	<b>-</b>	<b>27,193</b>
<b>XV. SHAREHOLDERS' EQUITY</b>	II-11	<b>336,759</b>	<b>41,941</b>	<b>378,700</b>	<b>304,676</b>	<b>45,641</b>	<b>350,317</b>
15.1	Paid-in capital	57,800	-	57,800	55,125	-	55,125
15.2	Supplementary capital	239,980	473	240,453	240,335	-	240,335
15.2.1	Share premium	68	-	68	-	-	-
15.2.2	Share cancellation profits	-	-	-	-	-	-
15.2.3	Marketable securities value increase fund	217	473	690	177	-	177
15.2.4	Revaluation fund	-	-	-	-	-	-
15.2.5	Value increase in revaluation fund	-	-	-	-	-	-
15.2.6	Other capital reserves	-	-	-	-	-	-
15.2.7	Effect on inflation accounting on share capital	239,695	-	239,695	240,158	-	240,158
15.3	Profit reserves	49,232	34,678	83,910	8,733	2,843	11,576
15.3.1	Legal reserves	15,092	33,174	48,266	8,733	-	8,733
15.3.2	Status reserves	-	-	-	-	-	-
15.3.3	Extraordinary reserves	34,140	-	34,140	-	-	-
15.3.4	Other profit reserves	-	1,504	1,504	-	2,843	2,843
15.4	Profit or loss	(10,253)	6,790	(3,463)	483	42,798	43,281
15.4.1	Prior year income/loss	(38,421)	(491)	(38,912)	(45,608)	36,017	(9,591)
15.4.1.1	Group's share	(35,936)	(491)	(36,427)	(34,155)	36,017	1,862
15.4.1.2	Minority shares	(2,485)	-	(2,485)	(11,453)	-	(11,453)
15.4.2	Current year income/loss	28,168	7,281	35,449	46,091	6,781	52,872
15.4.2.1	Group's share	30,389	7,281	37,670	46,055	6,781	52,836
15.4.2.2	Minority shares	(2,221)	-	(2,221)	36	-	36
<b>TOTAL LIABILITIES</b>		<b>1,601,341</b>	<b>3,541,803</b>	<b>5,143,144</b>	<b>1,449,300</b>	<b>3,237,450</b>	<b>4,686,750</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)

TÜRK EKONOMİ BANKASI A.Ş.

STATEMENTS OF CONSOLIDATED OFF BALANCE SHEET CONTINGENCIES AND  
COMMITMENTS RESTATED FOR THE EFFECTS OF INFLATION AS OF SEPTEMBER 30, 2004  
AND DECEMBER 31 2003

(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

## III- CONSOLIDATED STATEMENTS OF OFF-BALANCE SHEET COMMITMENTS

	Note Ref. (Section 5)	Reviewed			Audited		
		Current Period 30.09.2004			Prior Period 31.12.2003		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>		<b>953,463</b>	<b>2,139,848</b>	<b>3,093,311</b>	<b>849,979</b>	<b>1,895,030</b>	<b>2,745,009</b>
<b>I. GUARANTEES</b>	IV-2,3	<b>470,826</b>	<b>1,090,034</b>	<b>1,560,860</b>	<b>415,095</b>	<b>908,477</b>	<b>1,323,572</b>
1.1 Letters of guarantee		468,849	462,791	931,640	415,016	383,843	798,859
1.1.1 Guarantees subject to State Tender Law		32,968	1,157	34,125	35,815	1,983	37,798
1.1.2 Guarantees given for foreign trade operations		106,023	35,231	141,254	93,415	4,628	98,043
1.1.3 Other letters of guarantee		329,858	426,403	756,261	285,786	377,232	663,018
1.2 Bank acceptances		-	52,420	52,420	-	53,033	53,033
1.2.1 Import acceptances		-	52,420	52,420	-	53,033	53,033
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	574,161	574,161	79	470,730	470,809
1.3.1 Documentary letters of credit		-	523,908	523,908	79	431,705	431,784
1.3.2 Other letters of credit		-	50,253	50,253	-	39,025	39,025
1.4 Guaranteed prefinancing		-	-	-	-	-	-
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 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		1,977	-	1,977	-	-	-
1.9 Other suretyships		-	662	662	-	871	871
<b>II. COMMITMENTS</b>		<b>406,983</b>	<b>415,330</b>	<b>822,313</b>	<b>368,847</b>	<b>304,768</b>	<b>673,615</b>
2.1 Irrevocable commitments		403,414	385,914	789,328	366,116	304,768	670,884
2.1.1 Asset purchase commitments		31,605	131,365	162,970	-	-	-
2.1.2 Deposit purchase and sales commitments		1,000	254,549	255,549	-	304,768	304,768
2.1.3 Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		121,408	-	121,408	135,270	-	135,270
2.1.5 Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Payment commitment for checks		128,034	-	128,034	113,695	-	113,695
2.1.8 Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card expenditure limits	IV-2	120,905	-	120,905	117,151	-	117,151
2.1.10 Receivables from short sale commitments		-	-	-	-	-	-
2.1.11 Payables for short sale commitments		-	-	-	-	-	-
2.1.12 Other irrevocable commitments		462	-	462	-	-	-
2.2 Revocable commitments		3,569	29,416	32,985	2,731	-	2,731
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		3,569	29,416	32,985	2,731	-	2,731
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>75,654</b>	<b>634,484</b>	<b>710,138</b>	<b>66,037</b>	<b>681,785</b>	<b>747,822</b>
3.1 Forward foreign currency buy/sell transactions		61,719	420,535	482,254	66,037	381,996	448,033
3.1.1 Forward foreign currency transactions-buy		6,559	232,961	239,520	24,013	198,562	222,575
3.1.2 Forward foreign currency transactions-sell		55,160	187,574	242,734	42,024	183,434	225,458
3.2 Swap transactions related to f.c. and interest rates		-	192,805	192,805	-	299,789	299,789
3.2.1 Foreign currency swap-buy		-	93,049	93,049	-	148,940	148,940
3.2.2 Foreign currency swap-sell		-	92,871	92,871	-	149,896	149,896
3.2.3 Interest rate swaps-buy		-	3,414	3,414	-	448	448
3.2.4 Interest rate swaps-sell		-	3,471	3,471	-	505	505
3.3 Foreign currency and interest rate options		13,935	21,144	35,079	-	-	-
3.3.1 Foreign currency options-buy		6,180	11,320	17,500	-	-	-
3.3.2 Foreign currency options-sell		7,755	9,824	17,579	-	-	-
3.3.3 Interest rate options-buy		-	-	-	-	-	-
3.3.4 Interest rate options-sell		-	-	-	-	-	-
3.3.5 Securities options-buy		-	-	-	-	-	-
3.3.6 Securities 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+VI)</b>		<b>2,611,683</b>	<b>1,141,152</b>	<b>3,752,835</b>	<b>1,942,501</b>	<b>672,412</b>	<b>2,614,913</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>2,205,128</b>	<b>392,960</b>	<b>2,598,088</b>	<b>1,412,880</b>	<b>332,277</b>	<b>1,745,157</b>
4.1 Assets under management		156,850	-	156,850	-	-	-
4.2 Investment securities held in custody		900,230	182,437	1,082,667	539,514	158,423	697,937
4.3 Checks received for collection		1,078,472	102,518	1,180,990	816,642	77,347	893,989
4.4 Commercial notes received for collection		66,916	47,210	114,126	52,281	39,302	91,583
4.5 Other assets received for collection		36	60,795	60,831	-	57,205	57,205
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		2,624	-	2,624	4,443	-	4,443
4.8 Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>406,555</b>	<b>740,106</b>	<b>1,146,661</b>	<b>529,621</b>	<b>340,135</b>	<b>869,756</b>
5.1 Marketable securities		36,054	15,270	51,324	23,705	15,975	39,680
5.2 Guarantee notes		5,905	2,348	8,253	6,277	2,502	8,779
5.3 Commodity		18,428	263,661	282,089	205,609	16,705	222,314
5.4 Warranty		-	-	-	-	-	-
5.5 Immovables		202,449	284,389	486,838	154,369	191,457	345,826
5.6 Other pledged items		143,719	174,438	318,157	139,661	113,496	253,157
5.7 Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>8,086</b>	<b>8,086</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>3,565,146</b>	<b>3,281,000</b>	<b>6,846,146</b>	<b>2,792,480</b>	<b>2,567,442</b>	<b>5,359,922</b>

The accompanying notes are an integral part of these statements.



(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH - SEE SECTION III, NOTE XXIV)  
**TÜRK EKONOMİ BANKASI A.Ş.**  
**CONSOLIDATED INCOME STATEMENTS RESTATED FOR THE EFFECTS OF INFLATION FOR  
THE INTERIM PERIODS ENDED SEPTEMBER 30, 2004 AND 2003**  
**(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

**IV- CONSOLIDATED STATEMENTS OF INCOME**

	Note Ref.	Reviewed	Reviewed	Reviewed	Reviewed
		Current Period 30.09.2004	Prior period 30.09.2003	01.07.2004 - 30.09.2004	01.07.2003 - 30.09.2003
	(Section 5)	Total	Total	Total	Total
<b>I. INTEREST INCOME</b>	III-1	<b>365,498</b>	<b>349,056</b>	<b>124,308</b>	<b>117,428</b>
1.1 Interest on loans		200,343	174,242	73,035	62,267
1.1.1 Interest on TL loans		153,503	130,507	56,947	48,368
1.1.1.1 Short term loans		136,250	123,927	50,451	45,717
1.1.1.2 Medium and long term loans		17,253	6,580	6,496	2,651
1.1.2 Interest on foreign currency loans		46,052	43,461	15,530	13,804
1.1.2.1 Short term loans		31,971	26,886	11,067	8,805
1.1.2.2 Medium and long term loans		14,081	16,575	4,463	4,999
1.1.3 Interest on loans under follow-up		788	274	558	95
1.1.4 Premiums received from Resource Utilization Support Fund		-	-	-	-
1.2 Interest received from reserve deposits		5,718	5,041	2,003	1,896
1.3 Interest received from banks		22,388	38,591	8,946	13,639
1.3.1 The Central Bank of Turkey		114	-	96	-
1.3.2 Domestic banks		9,460	23,253	3,213	8,070
1.3.3 Foreign banks		12,814	15,338	5,637	5,569
1.4 Interest received from money market placements		52,810	74,531	12,090	20,663
1.5 Interest received from marketable securities portfolio		56,793	21,747	19,065	7,344
1.5.1 Trading securities		14,227	3,567	6,057	1,090
1.5.2 Available-for-sale securities		24,428	2,671	7,707	1,787
1.5.3 Held to maturity securities		18,138	15,509	5,301	4,467
1.6 Other interest income		27,446	34,904	9,169	11,619
<b>II. INTEREST EXPENSE</b>	III-2	<b>204,804</b>	<b>189,875</b>	<b>70,652</b>	<b>67,511</b>
2.1 Interest on deposits		167,603	147,779	57,132	53,061
2.1.1 Bank deposits		14,832	11,925	4,534	4,742
2.1.2 Saving deposits		72,484	64,349	25,112	20,866
2.1.3 Public sector deposits		47	-	-	-
2.1.4 Commercial deposits		60,117	51,960	19,227	20,848
2.1.5 Other institutions deposits		1,018	475	271	257
2.1.6 Foreign currency deposits		19,022	18,940	7,980	6,309
2.1.7 Precious metals vault accounts		83	130	8	39
2.2 Interest on money market borrowings		7,705	15,321	2,804	4,269
2.3 Interest on funds borrowed		29,178	26,369	10,661	9,838
2.3.1 The Central Bank of Turkey		-	-	-	-
2.3.2 Domestic banks		6,316	8,299	2,404	3,400
2.3.3 Foreign banks		20,128	15,196	7,291	3,564
2.3.4 Branches and head office abroad		-	-	-	-
2.3.5 Other financial institutions		2,734	2,874	966	2,874
2.4 Interest on securities issued		-	-	-	-
2.5 Other interest expense		318	406	55	343
<b>III. NET INTEREST INCOME (I - II)</b>		<b>160,694</b>	<b>159,181</b>	<b>53,656</b>	<b>49,917</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>45,321</b>	<b>29,533</b>	<b>15,153</b>	<b>10,524</b>
4.1 Fees and commissions received		60,870	44,411	20,883	15,615
4.1.1 Cash loans		5,081	3,915	2,000	1,115
4.1.2 Non-cash loans		13,391	10,786	5,044	4,059
4.1.3 Other		42,398	29,710	13,839	10,441
4.2 Fees and commissions paid		15,549	14,878	5,730	5,091
4.2.1 Cash loans		2,065	2,121	761	638
4.2.2 Non-cash loans		113	433	13	76
4.2.3 Other		13,371	12,324	4,956	4,377
<b>V. DIVIDEND INCOME</b>		-	-	-	-
5.1 Trading securities		-	-	-	-
5.2 Available-for-sale securities		-	-	-	-
<b>VI. NET TRADING INCOME/LOSS</b>		<b>8,346</b>	<b>28,419</b>	<b>6,262</b>	<b>14,014</b>
6.1 Profit/losses on trading transactions (Net)		14,277	13,181	3,000	12,426
6.1.1 Profit on trading transactions		58,666	66,234	10,011	23,077
6.1.1.1 Profit on derivative financial instruments		34,945	20,628	2,516	4,375
6.1.1.2 Other		23,721	45,606	7,495	18,702
6.1.2 Losses on trading transactions (-)		(44,389)	(53,053)	(7,011)	(10,651)
6.1.2.1 Losses on derivative financial instruments		(31,545)	(37,595)	(3,734)	(7,266)
6.1.2.2 Other		(12,844)	(15,458)	(3,277)	(3,385)
6.2 Foreign exchange gains/losses (Net)		(5,931)	15,238	3,262	1,588
6.2.1 Foreign exchange gains		215,228	201,232	108,265	45,506
6.2.2 Foreign exchange losses (-)		(221,159)	(185,994)	(105,003)	(43,918)
<b>VII. OTHER OPERATING INCOME</b>	III-3	<b>14,430</b>	<b>14,721</b>	<b>1,435</b>	<b>4,828</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>228,791</b>	<b>231,854</b>	<b>76,506</b>	<b>79,283</b>
<b>IX. PROVISION FOR LOAN LOSSES OR OTHER RECEIVABLES (-)</b>	III-4	<b>13,134</b>	<b>20,786</b>	<b>2,803</b>	<b>5,034</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>		<b>136,349</b>	<b>122,708</b>	<b>52,008</b>	<b>40,081</b>
<b>XI. NET OPERATING INCOME (IX-X-IXI)</b>		<b>79,308</b>	<b>88,360</b>	<b>21,695</b>	<b>34,168</b>
<b>XII. PROFIT/LOSSES FROM ASSOCIATES AND SUBSIDIARIES</b>	III-5	-	<b>188</b>	-	-
<b>XIII. NET MONETARY GAIN/(LOSS)</b>		<b>(26,741)</b>	<b>(26,164)</b>	<b>(3,210)</b>	<b>1,923</b>
<b>XIV. INCOME BEFORE TAXES</b>		<b>52,567</b>	<b>62,384</b>	<b>18,485</b>	<b>36,091</b>
<b>XV. PROVISION FOR TAXES ON INCOME (-)</b>		<b>16,935</b>	<b>27,550</b>	<b>5,885</b>	<b>11,216</b>
<b>XVI. NET OPERATING INCOME/EXPENSE AFTER TAXES</b>		<b>35,632</b>	<b>34,834</b>	<b>12,600</b>	<b>24,875</b>
<b>XVII. EXTRAORDINARY INCOME/EXPENSE AFTER TAXES</b>		<b>(183)</b>	-	<b>(302)</b>	-
17.1 Extraordinary net income/expense before taxes		(183)	-	(302)	-
17.1.1 Extraordinary income		119	-	-	-
17.1.2 Extraordinary expense (-)		(302)	-	(302)	-
17.2 Provision for taxes on extraordinary income		-	-	-	-
<b>XVII. PROFIT/LOSSES ON UNCONSOLIDATED INVESTMENTS (-)</b>		-	-	-	-
<b>XIX. NET PROFIT/LOSSES (XVI+XVII+XVIII)</b>	III-6	<b>35,449</b>	<b>34,834</b>	<b>12,298</b>	<b>24,875</b>
19.1 Group's profit/loss		37,670	35,272	14,876	24,296
19.2 Minority Profit/Loss	III-7	(2,221)	(438)	(2,578)	579
Earnings/Losses per share (Full amount)		<b>306.65</b>	<b>315.96</b>	<b>106.38</b>	<b>225.63</b>

The accompanying notes are an integral part of these statements.

**(CONVENIENCE TRANSLATION OF A REVIEW REPORT AND FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXIV)  
TÜRK EKONOMİ BANKASI A.Ş.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

## **SECTION THREE**

### **ACCOUNTING PRINCIPLES**

#### **I. Basis of Presentation**

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

#### **Presentation of the financial statements in accordance with the current purchasing power of money**

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

In accordance with the communiqué No:14, the parent 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 provided in the notes to the financial statements under “Footnotes and Explanations on Inflation Accounting”.

#### **Other valuation methods**

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

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

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 except for the changes made according to AAR 18 effective from July1, 2004.

#### **II- Information about the Parent Bank and the Subsidiaries subject to Consolidation:**

Türk Ekonomi Bankası Anonim Şirketi and its financial institutions, The Economy Bank N.V. (Economy Bank), Petek International Holdings B.V. (Petek International), TEB Yatırım Menkul Değerler A.Ş. (TEB Yatırım), TEB Finansal Kiralama A.Ş. (TEB Leasing), TEB Faktoring A.Ş. (TEB Faktoring), TEB Portföy Yönetimi A.Ş. (TEB Portföy) and TEB Sigorta A.Ş. (TEB Sigorta) are included in the accompanying consolidated financial statements by full consolidation method. The accompanying consolidated financial statements are prepared in accordance with AAR Communiqué No:15 “Accounting Standard on Consolidated Financial Statements, Subsidiaries, Joint Ventures and Associates”. The Parent Bank and the institutions included in the consolidation will be named as “the Group”.

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

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

**Explanations on Consolidation Method and Scope**

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

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

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

The unconsolidated subsidiary TEB Kiyemli Madenler Anonim Sirketi (TEB Kiyemli Madenler) and Stichting Custody Services TEB (Stichting) are valued at cost. The financial statements of TEB Kiyemli Madenler and Stichting are not included in the consolidation as of September 30, 2004 in accordance with the AAR's materiality principle.

When there are differences between the accounting policies of the subsidiaries and the Parent Bank, the financial statements are adjusted in accordance with the AAR principles considering the materiality. The financial statements of the subsidiaries are prepared as of September 30, 2004 and December 31, 2003 and restated in accordance with the inflation accounting principles.

The transactions and balances between the consolidated entities belonging to the financial group are eliminated.

The associates and subsidiaries that were acquired/sold within the Group during the period are explained in notes 6 and 7 of Section V, Part 1.

**Explanations on Foreign Currency Transactions**

Gains or losses arising from foreign currency transactions are reflected in the statement of income as they are realized during the year. Foreign currency assets and liabilities at each year-end are translated into Turkish lira at the year-end foreign exchange buying rates announced by the Parent Bank and the resulting foreign exchange gains or losses are recorded in the statement of income as foreign exchange gain or loss. The USD exchange rate used for translating foreign currency transactions into Turkish Lira and reflecting these to consolidated financial statements as of September 30, 2004 is TL 1,497,349 (December 31, 2003 - TL 1,393,278 (in full TL)).

There are no capitalized foreign exchange losses.

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

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

The currency translation difference derived from the translation of shareholders' equity items amounting to TL 1,504 (2003 - TL 2,843) has been reflected in "Other Profit Reserves" under shareholders' equity.

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

### **III- Explanations on Forward, Option Contracts and Derivative Instruments**

In the absence of forward foreign currency market rates and reliable forward rate estimations in a volatile market, values of foreign currency forward, swap and option transactions are determined by comparing the period end Bank foreign exchange rates with the forward rates discounted to the balance sheet date. The resulting gain or loss is reflected to the income statement. In determination of the fair values of interest rate swaps, discounted values calculated using the fixed and floating interest rates between the transaction date and repricing date are used.

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

### **IV- Netting of Financial Assets and Liabilities**

Financial assets and liabilities are off set when the Group has a legal right and sanction regarding netting off, and when the Group 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.

### **V- Interest Income and Expense**

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

### **VI- Fees and Commission Income and Expense**

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

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

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

### **VII- Securities Held for Trading**

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Trading securities are initially recognized at cost. Transaction costs of the related securities are included in the initial cost. The positive difference between the cost and fair value of such securities is accounted for as interest and income accrual, and the negative difference is accounted for as "Provision for Decrease in Value of Marketable Securities".

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)**

**(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

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

The sales and purchase of government securities under 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 classified under securities held for trading and available for sale depending on the portfolio they are originally included in, in the financial statements and are valued according to the valuation principles of the related portfolios. Funds obtained from repurchase agreements are classified as a separate sub account under money markets borrowings account in the liabilities. The interest expense accruals are calculated using the effective interest method 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 of income statements.

Securities purchased with resale commitments (reverse repo) are remeasured at amortized cost by using effective interest rate and related gain is reflected under other income accruals in the accompanying financial statements.

As of September 30, 2004, Group does not have any lent marketable securities (2003 – None).

**IX- 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 for fulfillment of such intention, including funding ability exist. 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.

After the initial recognition, available for sale securities are measured at fair values and the unrealized gain/loss originating from the difference between the initial cost and the fair value is recorded in “Securities Value Increase Fund” under the equity. The difference between fair value and amortized cost of investments by using effective interest rate method is considered while calculating value increase/decrease of investments. In the absence of a quoted prices formed in an active market, the fair values of these securities are determined by using other valuation methods stated in the articles of the AAR’s Communiqué No:1, “Accounting Standards of Financial Instruments”.

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

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

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

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

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

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

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

**X- Unconsolidated Participations and Subsidiaries**

Turkish Lira Investments in associates which are quoted at the stock exchange are remeasured at fair value based on quoted bid prices 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. Unquoted investments in associates are reflected at restated costs, computed by using relevant conversion factors considering purchase and capital contribution dates excluding share capital increases from internally generated funds such as the revaluation fund. A provision is set when there is evidence for permanent impairment in value of the related asset.

Turkish lira investments in subsidiaries are reflected at restated costs, computed by using relevant conversion factors considering purchase and capital contribution dates excluding share capital increases from internally generated amounts adding of funds such as the revaluation fund.

Foreign currency unconsolidated subsidiary is reflected at cost and valued with period-end foreign exchange rates.

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

The Group initially records originated loans and receivables at cost, in the subsequent periods, in accordance with the AAR, Communiqué No:1, these loans are remeasured at amortized cost by using 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 at the Communiqué on the Uniform Chart of Accounts and Its Explanations.

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

Specific reserves are computed and provided for Group III, IV and V loans 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 published on the Official Gazette No:34657 date January 31, 2002. These provisions are reflected in the income statement under "Provision and Impairment Expenses - Special Provision Expense". The collections made regarding these loans are first deducted from the principal amount of the loan and the remaining collections are deducted from interest receivables.

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

The collections made related to loans for which provision is made in the current period 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 made 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.

Releases of loan provisions are recorded in the "Provision and Impairment Expenses - Special Provision Expense" account as income.

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

The positive difference which totals to TL 461 (2003 - TL 461), between the cost of TEB Factoring and the parent Bank's share in its equity is reflected under the intangible fixed assets as goodwill in the accompanying consolidated financial statements. The goodwill has an accumulated amortization of TL 438 (2003 - TL 368).

The intangible fixed assets are reflected with their restated costs in accordance with inflation accounting and depreciated with straight-line method. 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 parent 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 for prior period purchases and 3 years for current period purchases. Softwares used are mainly developed within the Parent Bank by the Bank's personnel, and the expenses regarding these are not capitalized. Software is purchased only in emergency cases and for special projects.

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

## **XIII- Tangible Fixed Assets**

Buildings are reflected to the financial statements at their restated costs, less reserve for impairment, if any. if any. In accordance with the Communiqué No:14, buildings are valued by independent real estate valued companies at year end, and the appraisal value exceed the restated costs at September 30, 2004. The straight-line method for depreciation is used and economical life is accepted to be 50 years.

Other tangible fixed assets are reflected at their restated cost, and depreciated by straight-line method. 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 follow:

	%
Buildings	2
Motor vehicles	20
Furniture, fixtures and office equipment and others	5-50
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.

The maintenance 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 pledges, mortgages or other restrictions on the tangible fixed assets.

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

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

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

#### **XIV- Leasing Transactions**

Tangible fixed assets acquired by financial leases are accounted 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. The financing cost resulting from leasing is distributed through the agreement period to form a fixed interest rate.

In addition to interest expense, the Parent Bank provides depreciation expense for the leased assets in each period. The depreciation rate is determined in accordance with AAR 2:"Accounting Standard for Tangible Fixed Assets" and the depreciation rate used is 20%.

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

Operating lease payments are recognized as expense in the income statement on a straight line basis over the lease term.

#### **XV- Provisions and Contingent Liabilities**

In accordance with AAR, Communiqué No:8, the Bank sets provision for the general and specific provisions set for the loans and other receivables. Provisions are recognized for present obligations as a result of past events immediately at the estimated amounts. The parent Bank did not provide any additional provision for contingent liabilities as of September 30, 2004 apart from the doubtful receivable provision and general provision set in accordance with the related regulations. In addition, the Group did not provide any additional provision for any contingent liabilities as well.

#### **XVI- Liabilities Regarding Employee Benefits**

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

The Group has no employees contracted for determined periods.

As of September 30, 2004 the arithmetical average of the actual payments realized for the previous five years are 8.54% (2003-8.35%) respectively and this forms the base of the provision amount that is set for the retirement and notice pay liabilities. The Parent Bank's consolidated subsidiaries provided full reserve for retirement pay for the eligible personnel as of September 30, 2004 and December 31, 2003.



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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

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

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

## **XVII- Taxation**

### ***Corporate Tax***

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

Effective from April 24, 2003, investment incentive certificates will not be required to utilize an investment deduction in calculating the corporate income tax base. No withholding taxes will apply to the investment deduction; however the deduction will be limited to 40%.

The tax legislation, provides for a temporary tax of 30% 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, 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 related 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 is 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 are not subject to corporation tax, and similarly accumulated deficits arising from such application are not 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 Bank has computed current tax by considering changes resulted from effects of inflation that has been published on July 31, 2004 with Law No. 5228.

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.

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

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

***Deferred tax***

As of June 30, 2004 and prior periods, the Group calculated and reflected deferred tax asset or liability on timing differences which will result in taxable or deductible amounts in determining taxable profit of future periods.

As of September 30, 2004, in accordance with Communiqué Number 18 of AAR published on August 12, 2004 and effective from July 1, 2004 the Group calculated deferred tax asset on all deductible temporary differences if sufficient taxable profit in future periods to recover such amounts is probable; as well as deferred tax liability on all taxable temporary differences. The net deferred tax assets and net deferred tax liabilities of the Bank and its subsidiaries are presented on the financial statements separately in accordance with AAR 18 as deferred tax amounts related to the Bank and its subsidiaries could not be net off with each other.

The deferred tax asset net is included in “Other Assets” and deferred tax liability net is reflected under “Other External Resources” on the balance sheet. The deferred tax provision/credit is reclassified under the “Tax Provision” in the income statement. Deferred tax provision/credit resulting from differences related to equity items, are credited or charged directly to equity and netted with these accounts.

**XVIII- Additional Explanations on Borrowings**

There are no debt securities issued by the Parent Bank.

The Group has not issued convertible bonds .

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

The parent Bank does not have any costs related to share issue as of September 30, 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 distributed to the shareholders who are subject to and not subject to withholding tax are TL 229 and TL 254 (Nominal full TL) respectively for every 1,000 TL nominal shares.

**XX- Acceptances**

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

**XXI- Government Incentives**

There are no government incentives utilized by the Group.

**XXII- Securities at Custody**

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

**XXIII- Impairment of Assets**

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

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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)

(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

#### **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). The effects of the differences between these accounting principles and the accounting principles generally accepted in the countries in which the accompanying consolidated financial statements are to be used and IFRS have not been quantified in the accompanying consolidated financial statements.

There are no other matters required need to be disclosed.

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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

## SECTION FOUR

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP

#### I- Consolidated Capital Adequacy Standard Ratio

The method used for risk measurement for capital adequacy standard ratio: Capital Adequacy Standard Ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks ", which was published on January 31, 2002 in the Official Gazette numbered 24657. As of September 30, 2004, the Bank's capital adequacy ratio is %14.78 (December 31, 2003 - %15.21).

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.

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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)

(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

Information related to the capital adequacy ratio:

	Consolidated				Parent Bank			
	Risk Weight				Risk Weight			
	0%	20%	50%	100%	0%	20%	50%	100%
<b>Risk Weighted Assets, Liabilities and Non Cash</b>								
<b>Loans</b>								
Balance Sheet items (Net)	1,565,126	814,232	295,742	2,000,918	1,364,206	217,358	116,860	1,375,135
Cash	83,298	243	-	-	83,267	243	-	-
Due from banks	705,533	758,722	-	53,574	682,954	161,848	-	56
Interbank money market placements	319,556	-	-	-	318,878	-	-	-
Receivables from reverse repo transactions	1,277	-	-	-	-	-	-	-
Reserve deposits	190,179	-	-	-	190,179	-	-	-
Special finance houses	-	-	-	-	-	-	-	-
Loans	239,540	55,267	107,496	1,853,360	78,408	55,267	107,496	1,325,936
Loans under follow-up (Net)	-	-	-	10,069	-	-	-	10,069
Subsidiaries, associates and investments held to maturity	-	-	-	-	-	-	-	-
Miscellaneous receivables	-	-	-	3,921	-	-	-	679
Marketable securities held to maturity (Net)	8,508	-	-	-	-	-	-	-
Advances for assets acquired by financial leasing	-	-	-	-	-	-	-	-
Financial lease receivables	-	-	178,542	-	-	-	-	-
Leased assets (Net)	-	-	9,704	-	-	-	9,364	-
Fixed assets (Net)	-	-	-	35,770	-	-	-	22,917
Other assets	17,235	-	-	44,224	10,520	-	-	15,478
Off balance sheet items	422,293	666,474	354,696	55,734	444,306	577,818	307,511	54,386
Guarantees and pledges	31,535	663,814	103,290	27,530	26,813	573,983	91,263	27,373
Commitments	385,914	-	249,695	-	415,330	-	216,248	-
Other off balance sheet items	-	-	-	-	-	-	-	-
Transactions related with derivative financial instruments	-	-	-	5,088	-	-	-	5,856
Interest and income accruals	4,844	2,660	1,711	23,116	2,163	3,835	-	21,157
Non risk weighted accounts	-	-	-	-	-	-	-	-
<b>Total Assets Subject to Risk</b>	<b>1,987,419</b>	<b>1,480,706</b>	<b>650,438</b>	<b>2,056,652</b>	<b>1,808,512</b>	<b>795,176</b>	<b>424,371</b>	<b>1,429,521</b>
<b>Total Risk Weighted Assets</b>	<b>-</b>	<b>296,141</b>	<b>325,219</b>	<b>2,056,652</b>	<b>-</b>	<b>159,035</b>	<b>212,186</b>	<b>1,429,521</b>

Summary information related to the capital adequacy ratio:

	Consolidated		Parent Bank	
	Current Period	Prior Period	Current Period	Prior Period
Total Risk Weighted Assets (I)	2,678,012	2,389,796	1,800,742	1,546,783
Amount Subject to Market Risk (II)	59,625	28,515	57,363	27,007
Shareholders' Equity	404,578	367,791	246,949	234,175
Shareholders' Equity / (I+II)*100	14.78	15.21	13.29	14.88

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

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

	Consolidated		Parent Bank	
	Current Period	Prior Period	Current Period	Prior Period
<b>CORE CAPITAL</b>				
Paid-in Capital	60,722	55,125	57,800	55,125
Nominal capital	60,722	55,125	57,800	55,125
Capital commitments (-)	-	-	-	-
Effect on Inflation Accounting on Share Capital	242,569	240,158	240,333	240,158
Share Premium	68	-	-	-
Legal Reserves	49,917	11,576	6,566	2,669
First legal reserve (Turkish Commercial Code 466/1)	48,413	8,733	3,638	1,025
Second legal reserve (Turkish Commercial Code 466/2)	-	-	2,928	1,644
Other legal reserve per special legislation	1,504	2,843	-	-
Statute Reserves	-	-	-	-
Extraordinary reserves	34,140	-	33,958	-
Reserves allocated by the General Assembly	34,140	-	33,958	-
Retained earnings	-	-	-	-
Accumulated loss	-	-	-	-
Foreign currency share capital exchange difference	-	-	-	-
Profit	35,449	52,872	29,221	58,185
Current period profit	35,449	52,872	25,492	55,643
Prior period profit	-	-	3,729	2,542
Loss (-)	(38,912)	(9,591)	-	-
Current period loss	-	-	-	-
Prior period loss	(38,912)	(9,591)	-	-
<b>Total Main Capital</b>	<b>383,953</b>	<b>350,140</b>	<b>367,878</b>	<b>356,137</b>
<b>SUPPLEMENTARY CAPITAL</b>				
Revaluation Fund	-	-	-	638
Furniture, fixture and vehicles	-	-	-	-
Buildings	-	-	-	-
Profit on sale of associates, subsidiaries and buildings to be transferred to share capital	-	-	-	638
Revaluation fund of leasehold improvement	-	-	-	-
Increase in the Value of Revaluation Fund	-	-	-	-
Foreign Exchange Differences	-	-	-	-
General Reserves	10,213	8,621	10,213	8,621
Provisions for Possible Losses	-	-	-	-
Subordinated Loans	22,460	22,846	22,460	22,846
Marketable Securities and Investment Securities Value Increase Fund	690	177	349	121
Associates and subsidiaries	337	121	-	121
Available for sale securities	353	56	349	-
Structured positions	-	-	-	-
<b>Total Supplementary Capital</b>	<b>33,363</b>	<b>31,644</b>	<b>33,022</b>	<b>32,226</b>
<b>TIER III CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>417,316</b>	<b>381,784</b>	<b>400,900</b>	<b>388,363</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>12,738</b>	<b>13,993</b>	<b>153,951</b>	<b>154,188</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	1,331	975	144,500	143,458
Leasehold improvements	6,914	8,634	6,384	7,284
Start-up costs	-	-	-	-
Prepaid expenses	4,470	4,291	3,067	3,446
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)	23	93	-	-
Capitalized expenses	-	-	-	-
<b>Total Shareholder's Equity</b>	<b>404,578</b>	<b>367,791</b>	<b>246,949</b>	<b>234,175</b>

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)**

**(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

## **II- Consolidated Market Risk**

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

The Board of Directors determines the limits for the basic risk that the Bank is exposed to. Those limits are revised periodically in line with the strategies of the Group. 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 Group.

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

	Consolidated	Parent Bank
Capital to be employed for interest rate risk – standard method	3,453	3,179
Capital to be employed for general market risk	3,453	3,179
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	4	-
Capital to be employed for general market risk	3	-
Capital to be employed for specific risk	1	-
Capital to be employed for options subject to common stock position risk	-	-
Capital to be employed for currency risk – Standard method	1,313	1,410
Capital liability	1,073	1,170
Capital to be employed for options subject to currency risk	240	240
Total Value-at-risk (VAR)-Internal Model	-	-
Total capital to be employed for market risk	4,770	4,589
Amount subject to market risk	59,625	57,363

## **III- Consolidated Foreign Currency Risk**

Foreign currency risk indicates the probabilities of loss 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 Group are taken into consideration and value at risk is calculated by using the standard method.

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

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

The Treasury Department of the parent Bank is responsible for the management of Turkish Lira or foreign currency price, liquidity and affordability risks that could occur in the domestic and international markets within the limits set by the Board of Directors. The monitoring of risk and risk related transactions occurring in the money markets is performed daily and reported to the Bank's Asset-Liability Committee.

As of September 30, 2004, the Group's net long position is TL 39,760 (2003 - TL 39,087 net long) resulting from short position amounting to TL 7,241 (2003 - TL 24,974 long position) on the balance sheet and long position amounting to 47,001 (2003 - TL 14,113) from off-balance sheet position.

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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)

(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

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

	23.09.2004	24.09.2004	27.09.2004	28.09.2004	29.09.2004	30.09.2004
USD	1,493,864	1,487,513	1,489,677	1,496,224	1,497,696	1,497,349
CHF	1,186,620	1,180,166	1,177,206	1,185,288	1,186,643	1,188,537
GBP	2,687,426	2,676,892	2,687,936	2,711,266	2,707,645	2,693,995
JPY	13,467	13,425	13,400	13,395	13,469	13,488
EUR	1,838,648	1,828,302	1,826,642	1,842,301	1,845,162	1,848,777

The simple arithmetical average of the major current foreign exchange buying rates of the Parent Bank for the thirty days before September 30, 2004, is as follows:

	Monthly Average FX rates
USD	1,498,126
CHF	1,184,004
GBP	2,685,009
JPY	13,585
EUR	1,830,056

Information on the foreign currency risk of the Group:

Current Period	EUR	USD	YEN	OTHER FC	TOTAL
<b>Assets</b>					
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious materials) and balances with the Central Bank of Turkey	53,069	834,056	2	8,784	895,911
Due from other banks and financial institutions	90,473	613,240	912	22,739	727,364
Trading securities	10,130	13,119	-	374	23,623
Money market placements	-	68,878	-	-	68,878
Investment securities available-for-sale	-	54,640	-	-	54,640
Loans (**)	282,759	1,168,351	-	16,716	1,467,826
Investments in associates and subsidiaries	231	-	-	-	231
Investment securities held-to-maturity	-	8,508	-	-	8,508
Property and equipment	7,931	-	-	-	7,931
Goodwill	-	-	-	-	-
Other assets (**)	150,179	74,993	41	15,348	240,561
<b>Total Assets</b>	<b>594,772</b>	<b>2,835,785</b>	<b>955</b>	<b>63,961</b>	<b>3,495,473</b>
<b>Liabilities</b>					
Bank deposits	2,732	47,753	102	63,045	113,632
Foreign currency deposits (*)	388,633	2,114,069	1,237	42,392	2,546,331
Money market borrowings	-	-	-	-	-
Funds provided from other financial institutions	121,404	608,192	-	44,952	774,548
Marketable securities issued	-	-	-	-	-
Miscellaneous payables	13,503	3,334	-	5,041	21,878
Other liabilities(**)	23,019	16,662	39	6,605	46,325
<b>Total liabilities</b>	<b>549,291</b>	<b>2,790,010</b>	<b>1,378</b>	<b>162,035</b>	<b>3,502,714</b>
<b>Net Balance Sheet Position</b>	<b>45,481</b>	<b>45,775</b>	<b>(423)</b>	<b>(98,074)</b>	<b>(7,241)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(529)</b>	<b>(45,670)</b>	<b>547</b>	<b>92,653</b>	<b>47,001</b>
Financial derivative assets	118,611	162,237	1,572	104,028	386,448
Financial derivative liabilities	119,140	207,907	1,025	11,375	339,447
Non-cash loans (***)	336,115	700,459	10,420	43,040	1,090,034
<b>Prior Period</b>					
Total Assets	623,539	2,523,528	251	71,780	3,219,098
Total Liabilities	462,435	2,599,202	1,998	130,489	3,194,124
Net Balance Sheet Position	161,104	(75,674)	(1,747)	(58,709)	24,974
Net Off-Balance Sheet Position	(108,134)	65,193	1,868	55,186	14,113
Non-cash loans (***)	237,370	623,428	10,989	36,690	908,477

(\*) Gold account deposits amounting to TL 2,077 (2003 - TL 16,089) are included in the foreign currency deposits.

(\*\*) FX-indexed loans amounting to TL 145,471 (2003 - TL 106,528) are included in loans, FX-indexed factoring receivables amounting to TL 5,079 (2003 - TL 9,871) are included in other assets and FX-indexed factoring payables amounting to TL 2,852 (2003 - TL 3,530) are included in other liabilities in the currency risk table of the Group.

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



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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

**IV- Consolidated Interest Rate Risk**

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Group's position, and it is managed by the Asset-Liability Committee of the Bank. 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 for capital adequacy.

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

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

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

Since the Group 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 Month	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, precious materials) and balances with the Central Bank of Turkey	873,376	-	-	-	-	83,298	956,674
Due from banks and other financial institutions	768,659	8,107	20,284	12,112	-	25,713	834,875
Trading securities	1,407	20,256	706	38,600	51,601	40	112,610
Money market placements	320,833	-	-	-	-	-	320,833
Securities available-for-sale	38,982	98,272	-	4,641	89,377	9	231,281
Loans	764,689	436,582	429,589	247,044	251,504	-	2,129,408
Securities held-to-maturity	-	68,263	100	3,966	4,542	-	76,871
Other assets	58,294	99,628	48,250	52,651	71,620	150,149	480,592
<b>Total Assets</b>	<b>2,826,240</b>	<b>731,108</b>	<b>498,929</b>	<b>359,014</b>	<b>468,644</b>	<b>259,209</b>	<b>5,143,144</b>
Liabilities							
Bank deposits	125,757	61,909	1,260	-	-	9,956	198,882
Other deposits	2,601,039	340,294	46,242	100,978	40,940	117,803	3,247,296
Money market borrowings	192,054	-	-	-	-	-	192,054
Miscellaneous payables	-	63	-	-	-	41,501	41,564
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	317,365	193,490	142,387	95,393	104,572	-	853,207
Other liabilities	29,848	22,611	2,724	233	-	554,725	610,141
<b>Total Liabilities</b>	<b>3,266,063</b>	<b>618,367</b>	<b>192,613</b>	<b>196,604</b>	<b>145,512</b>	<b>723,985</b>	<b>5,143,144</b>
Balance Sheet Interest Sensitivity Gap	(439,823)	112,741	306,316	162,410	323,132	(464,776)	-
Off Balance Sheet Interest Sensitivity Gap	(57)	-	-	-	-	-	(57)
<b>Total Interest Sensitivity Gap</b>	<b>(439,880)</b>	<b>112,741</b>	<b>306,316</b>	<b>162,410</b>	<b>323,132</b>	<b>(464,776)</b>	<b>(57)</b>

The other asset line at the non-interest bearing column consists of TL 52,388 amount tangible fixed assets, TL 4,326 of intangible fixed assets, TL 42,134 of accrued interest and income receivables, TL 696 of participations and TL 635 of unconsolidated subsidiaries and the other liability line consists of equity of TL 378,700 and minority interest of TL 5,943.

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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non-interest bearing	Total
<b>Prior Period</b>							
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious materials) and balances with the Central Bank of Turkey	723,703	-	-	-	-	72,121	795,824
Due from Banks and other financial institutions	523,024	3,886	9,295	6,865	-	365,250	908,320
Trading securities	26,078	3,329	4,772	3,812	17,655	-	55,646
Money market placements	473,986	-	-	-	-	-	473,986
Securities available-for-sale	-	-	-	-	-	10	10
Loans	618,853	394,280	338,885	270,863	190,709	56,778	1,870,368
Securities held-to-maturity	49,052	41,161	5,004	125	4,631	-	99,973
Other assets	29,367	131,714	43,545	52,658	72,072	153,267	482,623
<b>Total Assets</b>	<b>2,444,063</b>	<b>574,370</b>	<b>401,501</b>	<b>334,323</b>	<b>285,067</b>	<b>647,426</b>	<b>4,686,750</b>
Liabilities							
Bank deposits	87,856	46,540	7,879	4,373	-	19,340	165,988
Other deposits	2,264,774	378,801	126,880	164,719	90,518	148,622	3,174,314
Money market borrowings	16,858	-	-	-	-	-	16,858
Miscellaneous payables	302,399	80,259	192,914	87,197	5,559	-	668,328
Marketable securities issued	3,013	-	-	-	-	36,874	39,887
Funds provided from other financial institutions	-	-	-	-	-	-	-
Other liabilities	3,407	73,693	7,243	1,818	636	534,578	621,375
<b>Total Liabilities</b>	<b>2,678,307</b>	<b>579,293</b>	<b>334,916</b>	<b>258,107</b>	<b>96,713</b>	<b>739,414</b>	<b>4,686,750</b>
Balance Sheet Interest Sensitivity Gap	(234,244)	(4,923)	66,585	76,216	188,354	(91,988)	-
Off Balance Sheet Interest Sensitivity Gap	-	-	(57)	-	-	-	(57)
<b>Total Interest Sensitivity Gap</b>	<b>(234,244)</b>	<b>(4,923)</b>	<b>66,528</b>	<b>76,216</b>	<b>188,354</b>	<b>(91,988)</b>	<b>(57)</b>

The other assets line at the non-interest bearing column consists tangible fixed assets amounting to TL 52,919, intangible fixed assets amounting to TL 4,357, accrued interest and income receivables amounting to TL 41,383, participations amounting to TL 556 and subsidiaries amounting to TL 419 and the other liability line consists of equity amounting to TL 350,317 and minority interest amounting to TL 27,193.

**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, precious materials) and balances with the Central Bank of Turkey	0.88	0.51	-	12.00
Due from banks and other financial institutions	2.04	2.67	-	20.85
Trading securities	7.24	6.76	-	24.20
Money market placements	-	1.13	-	20.00
Securities available-for-sale	-	6.50	-	22.50
Leasing receivables	11.65	11.15	-	47.65
Factoring receivables	6.13	5.93	-	30.00
Loans	5.28	4.49	-	25.29
Securities held-to-maturity	-	4.81	-	28.00
Liabilities				
Bank deposits	2.98	2.15	-	21.86
Other deposits	3.02	2.32	-	21.25
Miscellaneous payables	-	-	-	19.88
Money market placements	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	4.57	4.18	-	23.26
	EURO %	USD %	YEN %	TL %

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)**

**(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

**Prior Period**

Assets

Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious materials) and balances with the Central Bank of Turkey	0.80	0.43	-	16.00
Due from banks and other financial institutions	2.42	0.95	-	26.68
Trading securities	7.87	8.81	-	26.25
Money market placements				
Securities available-for-sale	-	-	-	-
Leasing receivables	11.25	12.23	-	41.08
Factoring receivables	6.02	6.50	-	35.08
Loans	5.58	4.85	-	31.17
Securities held-to-maturity	-	5.00	-	33.36

Liabilities

Bank deposits	2.60	2.50	-	27.25
Other deposits	3.41	2.32	-	26.93
Miscellaneous payables				
Money market placements	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	4.99	3.42	-	26.06

**V- Consolidated Liquidity Risk**

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

Liquidity risk may occur when the market penetration is not 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 Group's policy is to establish an asset structure that can meet all kinds of liabilities by liquid sources at all times. In this context liquidity problem is not faced in any period. In order to maintain this the Board of Directors of the Group continuously determines standards for the liquidity ratios, and monitors them.

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

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

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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

Presentation of assets and liabilities according to their remaining maturities :

Current Period	Demand	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Undistributed (*)	Total
<b>Assets</b>								
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious materials) and Balances with the Central Bank of Turkey	111,037	845,637	-	-	-	-	-	956,674
Due from banks and other financial institutions	105,386	688,986	8,107	20,284	12,112	-	-	834,875
Trading securities	40	606	281	1,183	38,611	71,889	-	112,610
Money market placements	-	320,833	-	-	-	-	-	320,833
Securities available-for-sale	9	-	-	-	4,641	226,631	-	231,281
Loans	-	764,689	436,582	429,589	247,044	251,504	-	2,129,408
Securities held-to-maturity	-	-	221	-	3,966	72,684	-	76,871
Other assets	3,926	88,681	106,488	52,423	56,686	90,091	82,297	480,592
<b>Total Assets</b>	<b>220,398</b>	<b>2,709,432</b>	<b>551,679</b>	<b>503,479</b>	<b>363,060</b>	<b>712,799</b>	<b>82,297</b>	<b>5,143,144</b>
<b>Liabilities</b>								
Bank deposits	20,270	115,443	61,909	1,260	-	-	-	198,882
Other deposits	731,170	1,987,672	340,294	46,242	100,978	40,940	-	3,247,296
Money market borrowings	-	192,054	-	-	-	-	-	192,054
Funds provided from other financial institutions	40,046	1,367	63	-	-	-	88	853,207
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	253,121	134,279	99,426	148,134	218,247	-	41,564
Other liabilities	17	112,881	39,306	8,003	2,436	2,783	444,715	610,141
<b>Total Liabilities</b>	<b>791,503</b>	<b>2,662,538</b>	<b>575,851</b>	<b>154,931</b>	<b>251,548</b>	<b>261,970</b>	<b>444,803</b>	<b>5,143,144</b>
<b>Net Liquidity Gap</b>	<b>(571,105)</b>	<b>46,894</b>	<b>(24,172)</b>	<b>348,548</b>	<b>111,512</b>	<b>450,829</b>	<b>(362,506)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	608,051	2,316,120	587,631	404,197	339,211	358,797	72,743	4,686,750
Total Liabilities	764,534	1,924,945	626,854	228,030	493,959	210,036	438,392	4,686,750
<b>Net Liquidity Gap</b>	<b>(156,483)</b>	<b>391,175</b>	<b>(39,223)</b>	<b>176,167</b>	<b>(154,748)</b>	<b>148,761</b>	<b>(365,649)</b>	<b>-</b>

(\*) The assets which are necessary to provide banking services and could not be liquidated in a short term, such as property and equipment, investments in subsidiaries and associates, office supply inventory, prepaid expenses and non-performing loans, are classified in this column.

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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

## SECTION FIVE

## FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS

## I. Footnotes and Explanations Related to the Consolidated Assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	27,556	-	59,053	-
Unrestricted time deposit	-	655,398	-	502,841
<b>Total</b>	<b>27,556</b>	<b>655,398</b>	<b>59,053</b>	<b>502,841</b>

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	39,636	-	16,609	-
Treasury Bills	24,175	-	-	-
Other Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>63,811</b>	<b>-</b>	<b>16,609</b>	<b>-</b>

As of September 30, 2004, trading securities which are not given as collateral amount to TL 48,799 (2003 - TL 39,037).

## 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	233,931	-
Quoted in a Stock Exchange	176,632	-
Not Quoted	57,299	-
Share Certificates	9	10
Quoted in a Stock Exchange	-	-
Not Quoted	9	10
Provision for Impairment (-)	(2,659)	-
<b>Total</b>	<b>231,281</b>	<b>10</b>

- 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 21,306 (2003 - None) given as collateral for regulatory requirements.

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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

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	21,306	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>21,306</b>	-	-	-

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	128,478	-	-	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>128,478</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	40,956	1,303	70,953	1,471
Corporate Shareholders (*)	40,956	1,303	70,953	1,471
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	1,297	-	1,102	15
<b>Total</b>	<b>42,253</b>	<b>1,303</b>	<b>72,055</b>	<b>1,486</b>

(\*) Loans granted to corporate shareholders amounting to TL 40,477 (2003 - TL 70,181) are cash collateral loans.

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	Loans and Other Receivables	Restructured or Rescheduled
Non-Specialized Loans		2,116,704	1,891	10,813
Discount Notes		79,139	-	-
Export Loans		603,712	-	-
Import Loans		-	-	-
Loans Given to Financial Sector		211,637	-	-
Foreign Loans		144,176	-	-
Consumer Loans		77,520	-	-
Credit Cards		20,618	-	-
Precious Metals Loans		12,963	439	-
Other		966,939	1,452	10,813
Specialized Loans		-	-	-
Other Receivables		-	-	-
<b>Total</b>		<b>2,116,704</b>	<b>1,891</b>	<b>10,813</b>

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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)

(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

c) Information on consumer loans:

	Short Term	Medium and Long Term	Total	Interest Income Accrual
<b>Consumer loans-TL</b>	26,411	33,628	60,039	1,159
Real estate Loans	385	5,589	5,974	89
Automotive Loans	2,068	15,925	17,993	251
Consumer Loans	-	-	-	-
Personnel Loans	641	656	1,297	32
Other Consumer Loans	23,317	11,458	34,775	787
<b>Consumer Loans- Indexed to FC</b>	1,174	16,307	17,481	94
Real Estate Loans	327	5,415	5,742	32
Automotive Loans	800	9,367	10,167	56
Consumer Loans	47	1,525	1,572	6
Personnel Loan	-	-	-	-
Other Consumer Loans	-	-	-	-
<b>Credit Cards</b>	20,618	-	20,618	142
<b>Total Consumer Loans</b>	<b>48,203</b>	<b>49,935</b>	<b>98,138</b>	<b>1,395</b>

d) Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	1,954,013	1,681,526
Foreign Loans	175,395	188,842
<b>Total</b>	<b>2,129,408</b>	<b>1,870,368</b>

e) Loans granted to subsidiaries and investments: None.

f) Specific provisions provided against loans:

	Current Period	Prior Period
Specific Provisions		
Loans and Receivables With Limited Collectibility	116	140
Loans and Receivables With Doubtful Collectibility	1,198	1,616
Uncollectible Loans and Receivables	9,145	15,673
<b>Total</b>	<b>10,459</b>	<b>17,429</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	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current Period			
(Gross Amounts Before The Specific Reserves)	-	-	-
Loans and Other Receivables Which are Restructured	-	-	-
Rescheduled Loans and Other Receivables	-	-	-
Prior Period			
(Gross amounts Before The Specific Reserves)	-	-	-
Loans and Other Receivables Which are Restructured	-	-	-
Rescheduled Loans and Other Receivables	-	-	8,449

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

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

	III. Group Loans and Receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Prior Period end Balance	2,501	3,612	20,576
Additions (+)	7,662	213	56
Transfers from Other Categories of Loans Under Follow-up (+)	-	8,136	3,097
Transfers to Other Categories of Loans Under Follow-up (-)	8,136	3,097	-
Collections (-)	755	2,468	8,672(*)
Write-offs (-)	-	-	122
Index Differences (-)	201	267	1,607
Current Period end Balance	1,071	6,129	13,328
Specific Provisions (-)	116	1,198	9,145
<b>Net Balances on Balance Sheet</b>	<b>955</b>	<b>4,931</b>	<b>4,183</b>

(\*) A restructured loan risk, that was followed in the doubtful receivables in the prior periods, has been transferred to the loans and other receivables under close monitoring since the conditions in the “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” were fulfilled. Accordingly, the specific provision amounting to TL 6,956 is reversed in the current period.

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 June 30, 2001.

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

a) Information on held to maturity portfolio:

	Current Period	Prior Period
Debt Securities	76,871	99,973
Quoted in a Stock Exchange	76,871	95,342
Not Quoted	-	4,631
Provision for Impairment (-)	-	-
<b>Total</b>	<b>76,871</b>	<b>99,973</b>

b) Movement of held to maturity portfolio:

	Current Period	Prior Period
Beginning Balance	99,973	49,351
Effect of Inflation (-)	(7,347)	(6,215)
Foreign Currency Differences on Monetary Assets	85	-
Purchases During Year	31,454	60,961
Disposals Through Sales and Redemptions	(47,294)	(4,124)
Provision for Impairment (-)	-	-
<b>Closing Balances</b>	<b>76,871</b>	<b>99,973</b>



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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

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

	Current Period				Prior Period			
	Historical Cost		Valuation		Historical Cost		Valuation	
	TL	FC	TL	FC	TL	FC	TL	FC
<b>Held to Maturity Portfolio</b>								
Given as Collateral or Blocked	68,363	-	71,308	-	92,011	1,424	92,329	1,512
Subject to Repo Transactions	-	-	-	-	-	-	-	-
Held for Structural Position	-	-	-	-	-	-	-	-
Receivables From Securities Lending	-	-	-	-	-	-	-	-
Collaterals on Securities Lending	-	-	-	-	-	-	-	-
Other (*)	-	8,508	-	8,669	1,906	4,632	1,974	4,674
<b>Closing Balances</b>	<b>68,363</b>	<b>8,508</b>	<b>71,308</b>	<b>8,669</b>	<b>93,917</b>	<b>6,056</b>	<b>94,303</b>	<b>6,186</b>

(\*) The free marketable securities held by the Group.

c.2) Marketable securities held to maturity given as collateral consist of public sector debt securities of TL 68,363 (2003 - TL 93,435), given as collateral for regulatory requirements.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Bonds	221	-	-	-
Bills and similar investment securities	68,142	-	92,010	1,425
Other	-	-	-	-
<b>Total</b>	<b>68,363</b>	<b>-</b>	<b>92,010</b>	<b>1,425</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) Information on the consolidated participations:

a.1) Information on the consolidated participations:

	Current Period	Prior Period
Balance at the Beginning of the Period	10,297	6,626
Movements During the Period	(10,297)	3,671
Purchases	-	3,671
Free Shares Obtained Profit from Current Year's Share	-	-
Dividends from Current Year Income	-	-
Sales (*)	(10,297)	-
Revaluation Increase	-	-
Provision for Impairment	-	-
<b>Balance at the end of the Period</b>	<b>-</b>	<b>10,297</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 as "subsidiaries" due to increase in the effective shareholding percentage of the Parent Bank in relation with the change in its share capital structure.

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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

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

	Current Period	Prior Period
Valuation With Cost	-	10,297
Valuation With Fair Value	-	-
Valuation With Equity Method	-	-
<b>Total</b>	<b>-</b>	<b>10,297</b>

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

a.4) Information related to investments that are included in consolidation: None.

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

a.6) Consolidated investments purchased in the current period: None.

**7. Information on Subsidiaries (Net):**

a) Information on the consolidated subsidiaries.

a.1) Information on the consolidated subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	146,056	138,912
Movements During the Period	7,979	7,144
Purchases(*)	22,350	155
Free Shares Obtained Profit from Current Year's Share	-	12,872
Dividends from Current Year Income	-	-
Sales	(55)	-
Revaluation Increase (**)	(2,204)	(5,883)
Provision for Impairment(***)	(12,112)	-
<b>Balance at the end of the Period</b>	<b>154,035</b>	<b>146,056</b>
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

(\*) TL 10,297 is the reclassification of Teb Sigorta A.S. as a subsidiary and TL 12,053 is due to the increase in the shareholding percentage of the subsidiaries.

(\*\*) Generated from the difference between the devaluation and inflation of the foreign subsidiaries.

(\*\*\*) Provision for impairment comprises the difference between carrying value and sale value of TL 750 that is determined for sale of 75% share participation in TEB Sigorta to TEB Mali Yatirimlar.

The figures stated above present the restated cost of the Group's total investment in subsidiaries before the Group.

a.2) Valuation of investments made to the consolidated subsidiaries:

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

	Current Period	Prior Period
Valuation With Cost	154,035	146,056
Valuation With Fair Value	-	-
Valuation With Equity Method	-	-

a.3) Consolidated subsidiaries which are quoted to a stock exchange: None.

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

a.4) Information related to subsidiaries that are included in consolidation:

Description	Address (City / Country))	Group's share percentage- If different voting percentage(%)	Group's risk group share percentage (%)	Method of Consolidation
The Economy Bank N.V.	Netherlands	100.00	100.00	Full
Petek International Holdings B.V.	Netherlands	100.00	100.00	Full
TEB Yatirim Menkul Degerler A.S.	Istanbul/Turkey	74.94	100.00	Full
TEB Finansal Kiralama A.S.	Istanbul/Turkey	100.00	100.00	Full
TEB Factoring A.S.	Istanbul/Turkey	100.00	100.00	Full
TEB Portfoy Yonetimi A.S.	Istanbul/Turkey	46.77	82.50	Full
TEB Sigorta A.S.	Istanbul/Turkey	50.00	75.00	Full

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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss (*)	Fair Value
(i)	1,228,804	95,968	8,099	37,475	1,000	7,330	6,397	-
(i)	1,827	1,796	-	-	-	(49)	(54)	-
(iv)	26,286	21,859	592	1,702	-	1,174	1,088	-
(iv)	313,988	87,066	119,697	3,161	-	6,726	24,839	-
(iv)	119,363	12,433	216	156	-	1,375	1,550	-
(ii)	8,891	7,921	581	375	762	3,091	846	-
(iii)	30,473	(1,314)	4,246	375	27	(10,718)	(2,951)	-

(\*) Represents December 31, 2003 figures.

- (i) Foreign currency subsidiaries are valued with period end foreign rates.
- (ii) Represents financial figures of financial statements prepared based on the regulations of Capital Market Board.
- (iii) Represents Statutory financial figures with cost.
- (iv) Represents Statutory financial figures based on tax procedural law.

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

b.7) Information on the consolidated subsidiaries purchased in current period:

In the Board of Directors meeting of the Parent Bank dated July 16, 2004, it was decided to increase shareholding percentage of TEB Leasing and TEB Factoring to 100% which were formerly 68.76% and 69.40%, respectively. And also in accordance to the same meeting it was decided to increase shareholding percentage of TEB Yatirim Menkul Degerler A.S. to 74.94 % which was formerly 74.80%.

**8. Information on financial lease receivables (Net):**

a) Aging of leasing receivables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	121,686	106,922	110,893	97,149
Between 1-4 years	78,891	71,620	72,865	66,553
Over 4 years	32	-	20	-
<b>Total</b>	<b>200,609</b>	<b>178,542</b>	<b>183,778</b>	<b>163,702</b>

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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

9. Explanations related to interest and income accruals:

- a) Information about accrued interest and income receivables of loans:

Accrued Interest and Income Receivables	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Accruals - Due	145	2	372	-
Interest Accruals - Not Due	15,905	8,484	10,259	8,774
Loan Commissions and Other Income Accruals - Due	-	-	-	-
Loan Commissions and Other Income Accruals - Not Due	19	5	22	7
<b>Total</b>	<b>16,069</b>	<b>8,491</b>	<b>10,653</b>	<b>8,781</b>

- b) Information on other interest and income accruals:

Other Interest and Income Accruals	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	779	347	1,227	410
Securities Available for Sale	3,006	705	-	-
Securities Held to Maturity	3,825	161	1,753	130
Interest Accruals of Reverse Repo Transactions	-	-	1	-
Interest Accruals of Reserve Deposits	1,698	274	1,657	172
Income Accruals of Financial Derivative Instruments	174	967	1,252	3,553
Interest and Income Accruals	-	87	8	17
Income Accrual of Foreign Exchange Gains	174	880	1,244	3,536
Income Accruals from Factoring Income	356	6	27	1,401
Other	2,325	2,951	10,137	229
<b>Total</b>	<b>12,163</b>	<b>5,411</b>	<b>16,054</b>	<b>5,895</b>

10. Information on other assets:

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

	Current Period	Prior Period
Prepaid Taxes	17,235	36,049
Premium Receivable	12,461	21,106
Deferred Tax	8,120	5,500
Financial Lease Agreements in Progress	6,730	5,073
Receivables from Fund Participation Certificates	3,552	1,714
Advances Given	1,278	20
Transaction Cost Related to Financial Liabilities	983	2,304
Prepaid Rent Expenses	617	563
Other	10,650	9,382
<b>Total</b>	<b>61,626</b>	<b>81,711</b>

- b) A deferred tax asset of TL 8,120 and a deferred tax liability of TL 44 is reflected on the financial statements separately since these deferred tax amounts related to the Bank and its subsidiaries could not be net off with each other in accordance with the related communiqué numbered AAR 18. Deferred tax asset is calculated mainly on temporary differences such as retirement pay liability, general loan loss reserve and valuation of marketable securities. There are no carried forward tax losses or tax exemptions or deductions over which deferred tax asset is computed. As of September 30, 2004 TL 3,519 of deferred tax income is reflected under tax provision in the accompanying income statement.
- c) Other assets which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and breakdown of these which constitute at least 20% of grand total: None.

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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)

(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

## II- Footnotes and Explanations Related to the Consolidated Liabilities

## 1. a) Information on maturity structure of deposits:

## a.1) Current period :

	Demand	7 day Call Accounts	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over
Saving Deposits	43,348	-	115,737	136,480	80,859	9,629	21,240
Foreign Currency Deposits	560,516	-	1,298,773	475,744	60,520	100,783	47,918
Residents in Turkey	460,501	-	614,757	440,040	56,245	45,328	22,132
Residents Abroad	100,015	-	684,016	35,704	4,275	55,455	25,786
Public Sector Deposits	2,590	-	-	-	-	-	-
Commercial Deposits	95,079	-	68,965	36,884	1,512	53,505	2,020
Other Institutions Deposits	27,561	-	1,768	3,759	27	2	-
Precious Metals Deposits	2,077	-	-	-	-	-	-
Interbank Deposits	20,269	-	79,040	77,963	18,567	3,043	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	98	-	3,010	-	-	1,000	-
Foreign Banks	16,540	-	76,030	77,963	18,567	2,043	-
Special Finance Houses	3,631	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>751,440</b>	-	<b>1,564,283</b>	<b>730,830</b>	<b>161,485</b>	<b>166,962</b>	<b>71,178</b>

## a.2) Prior period:

	Demand	7 day Call Accounts	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over
Saving Deposits	35,317	-	97,365	69,933	69,599	29,649	17,103
Foreign Currency Deposits	432,278	-	1,546,341	372,026	44,431	21,798	16,627
Residents in Turkey	408,826	-	591,795	363,755	42,838	20,856	15,824
Residents Abroad	23,452	-	954,546	8,271	1,593	942	803
Public Sector Deposits	114	-	-	-	-	-	-
Commercial Deposits	77,635	-	126,002	41,884	49,793	63,834	437
Other Institutions Deposits	39,942	-	1,653	2,872	1,591	1	-
Precious Metals Deposits	4,887	-	-	11,202	-	-	-
Interbank Deposits	30,392	-	36,847	59,100	28,927	10,722	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	98	-	-	-	-	-	-
Foreign Banks	15,412	-	36,847	59,100	28,927	10,722	-
Special Finance Houses	14,882	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>620,565</b>	-	<b>1,808,208</b>	<b>557,017</b>	<b>194,341</b>	<b>126,004</b>	<b>34,167</b>

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

Saving Deposits	Under the guarantee of saving deposit insurance	Under the guarantee of saving deposit insurance	Exceeding the limit of saving deposit	Exceeding the limit of saving deposit
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	108,095	294,021	255,713	-
Foreign Currency Saving Deposits	236,088	877,670	664,343	-
Other Deposits in the form of Saving Deposits	211	1,242	1,067	-
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Off-shore Banking Regions' Deposits Under Foreign Authorities' Insurance	-	-	-	-
<b>Total</b>	<b>344,394</b>	<b>1,172,933</b>	<b>921,123</b>	-

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)**

**(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

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

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

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

	Current Period (*)	Prior Period(*)
Foreign Branches' Saving Deposits	-	-
Off-shore Banking Regions' Saving Deposits	15,871	27,575
<b>Total</b>	<b>15,871</b>	<b>27,575</b>

(\*) In addition to the amount disclosed above, there are also saving deposits amounting to TL 202,578 (2003 - 143,523) in Economy Bank, one of the consolidated subsidiaries of the parent Bank that is incorporated in Netherlands, that are not subject to the guarantee of deposit insurance fund.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	<b>192,046</b>	-	<b>16,856</b>	-
Financial Institutions and Organizations	180,000	-	-	-
Other Institutions and Organizations	4,130	-	10,541	-
Real Persons	7,916	-	6,315	-
From Foreign Transactions	<b>8</b>	-	<b>2</b>	-
Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Real Persons	8	-	2	-
<b>Total</b>	<b>192,054</b>	-	<b>16,858</b>	-

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	77,039	544,401	74,244	480,532
Medium and Long-term	1,620	207,687	-	90,706
<b>Total</b>	<b>78,659</b>	<b>752,088</b>	<b>74,244</b>	<b>571,238</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	166	211

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

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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)

(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

7. a) Deferred tax liability computed within prevailing regulations: A deferred tax asset of TL 8,120 and a deferred tax liability of TL 44 is reflected on the financial statements separately since these deferred tax amounts related to the Bank and its subsidiaries could not be net off with each other in accordance with the related comminué numbered AAR 18. The deferred tax liability is calculated based on mainly the differences between the treatment of fixed assets and intangibles by the Turkish Tax Procedural Code and AAR.

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

8. **Explanations on financial lease payables:** None.

9. **Information on interest and expense accruals:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Accrued Interest on Deposits	24,428	4,291	13,684	6,075
Accrued Interest on Funds Borrowed	2,462	7,421	2,666	4,560
Accrued Interest on Bonds	-	-	-	-
Accrued Interest on Repurchase Agreement Transactions	106	-	15	-
Accrued Interest on Derivative Financial Instruments	747	2,405	3,387	4,389
Accrued Interest and Expense	-	212	-	37
Foreign Exchange Losses Accrued	747	2,193	3,387	4,352
Accrued interest on factoring payables (*)	-	-	-	-
Other Interest and Expense Accruals	3,018	542	6,729	1,633
<b>Total</b>	<b>30,761</b>	<b>14,659</b>	<b>26,481</b>	<b>16,657</b>

(\*) Accrued interest on factoring payables are netted off with accrued interest on factoring receivables.

10. **Provisions and subordinated loans:**

- a) Information on general provisions:

	Current Period		Prior Period	
	TL	FC	TL	FC
General provisions		10,213		8,621
Provisions for First Group Loans and Receivables		8,651		7,231
Provisions for Second Group Loans and Receivables		54		22
Provisions for Non Cash Loans		1,508		1,368
Others		-		-
<b>Total</b>		<b>10,213</b>		<b>8,621</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	-	22,460	-	22,846
<b>Total</b>	-	<b>22,460</b>	-	<b>22,846</b>

- d) The foreign exchange losses on the foreign currency indexed loans amounting to TL 1,815 is netted of from loans at the balance sheet.

- e) Impairment in value arising from settlement date accounting : None.

- f) The specific provisions provided for unindemnified non cash loans amount to TL 87.

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

**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 Group 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 parent 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:

The parent 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 638 (nominal value of TL 2,675) has been classified in the revaluation fund to be added to share capital. This amount has been added into share capital in January 27, 2004.

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

- f) Indicators of the Group's income, profit and liquidity for the previous periods and within these indicators possible affects on capital fore sighting uncertainty : None.

- g) Information on privileged shares:

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

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

	Current Period	Prior Period
Number of Shares (Thousand)	115,600,000	110,250,000
Preferred Stock	-	-
Common Stock Issue Premium	68	-
Common Stock Canceling Profit	-	-
Other Equity Instruments	-	-

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

Name/Commercial title	Amounts	Share Percentage	Paid-in capital	Unpaid portion
TEB Mali Yatirimlar	48,694	%84.25	48,694	-

On June 28, 2004 the shares of Colakoglu Metalurji A.S. and Denak Depoculuk A.S. was acquired by TEB Mali Yatirimlar. Accordingly, the shareholding percentage of TEB Mali Yatirimlar increased to 84.25 % from 70.17%.



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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

### III. Footnotes and Explanations Related to the Consolidated Income Statement

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

The breakdown of other interest and non-interest income and expense accounts total to 20% of the items that exceed 10% of the related totals are shown below.

Other interest income amounting to TL 27,446 (30 September 2003 - TL 34,904) includes financial lease interest income amounting to TL 14,942 (30 September 2003 - TL 22,561) and factoring interest income amounting to TL 10,348 (30 September 2003 - TL 10,997).

The total other fees and commissions received amounting to TL 42,398 (30 September 2003 - TL 29,710) majorly consists of credit card fees and commissions amounting to TL 4,103 (30 September 2003 - TL 5,691) and brokerage commissions amounting to TL 10,773 (30 September 2003 - TL 7,037). Other fees and commission expense totaling to TL 13,371 (30 September 2003 - TL 12,324) majorly consists of fees and commissions paid for the credit cards amount to TL 5,343 (30 September 2003 - TL 5,637).

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

b) Information on financial lease income :

	Current Period	Prior Period
Financial Lease Income	14,942	22,561

c) Interest received from reverse repurchase agreement transactions: None

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Received from Reverse Repurchase Agreement Transactions	1,166	-	1,792	-

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

b) Information on financial lease expenses : None.

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

Account name	Time Deposits						Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	
TL							
Bank deposits	293	12,668	-	-	-	-	12,961
Saving deposits (*)	2,463	19,329	19,046	16,777	5,222	6,148	68,985
Public sector deposits	-	-	47	-	-	-	47
Commercial deposits (*)	1,627	16,252	9,212	4,512	16,461	315	48,379
Other deposits	-	779	132	107	-	-	1,018
7 days call accounts	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-
<b>Total</b>	<b>4,383</b>	<b>49,028</b>	<b>28,437</b>	<b>21,396</b>	<b>21,683</b>	<b>6,463</b>	<b>131,390</b>
Foreign Currency							
Foreign currency deposits (*)	661	12,389	10,094	3,600	579	6,936	34,259
Bank deposits	81	1,747	43	-	-	-	1,871
7 days call accounts	-	-	-	-	-	-	-
Precious metal deposits	-	4	79	-	-	-	83
<b>Total</b>	<b>742</b>	<b>14,140</b>	<b>10,216</b>	<b>3,600</b>	<b>579</b>	<b>6,936</b>	<b>36,213</b>
<b>Total</b>	<b>5,125</b>	<b>63,168</b>	<b>38,653</b>	<b>24,996</b>	<b>22,262</b>	<b>13,399</b>	<b>167,603</b>

(\*) Interest expense on foreign currency deposits includes TL 3,499 interest on foreign currency saving deposits and TL 11,738 interest on commercial deposits.

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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

- d) Interest expense on repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on Repurchase Agreements	7,705	-	15,321	-

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

The information on the factors affecting the Group's income including extraordinary items and new developments and the explanation on nature and amount of income earned from extraordinary items :

Other operating income amounting to TL 14,430 includes reversal of a provision amounting to TL 6,956 which was provided for a restructured loan risk, that was followed under doubtful receivables in the prior periods and has been transferred to the loans and other receivables under close monitoring since the conditions in the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" were fulfilled.

**4. Groups's Provision for loans and other receivables:**

	Current Period	Prior Period
Specific provisions for loans and other receivables	3,217	1,801
III. Group	134	658
IV. Group	1,231	354
V. Group	1,852	789
General provision expenses	2,902	2,905
Provision expenses for possible losses	-	-
Foreign exchange differences on foreign currency losses	3,168	13,956
Provision for impairment – marketable securities	2,866	1,168
Trading securities	3	229
Investment securities available for sale	2,863	939
Provision for impairment	-	-
Investment and Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Investment securities held to maturity	-	-
Other	981	956
<b>Total</b>	<b>13,134</b>	<b>20,786</b>

- 5.a) Income and expenses relating to associates and subsidiaries: None.

- b) Income / Loss from associates, which are accounted under equity method: None.

- c) The information on the income / loss relating to the transactions within the risk group of the Bank:

The Bank performs various banking transactions with the institutions within its risk group. These are commercial transactions and are realized at market rates. Income / loss from these transactions are included within income statement. The amounts are presented in Section V, Part VI.

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

- a) Income/loss for to minority rights:

	Current Period	Prior Period
Income and Loss for Minority Rights	(2,221)	(438)

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

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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

**IV- Footnotes and Explanations Related to the Consolidated Off-balance Sheet Commitments**

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

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

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

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

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

b.1) For contingent assets, if realization probability is close to certain, then it is accounted. If realization probability is low, then it is explained in the footnotes. As of September 30, 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 commitments:**

a) Nature and amount of irrevocable loan commitments: As of As of September 30, 2004 and December 31, 2003, credit card spending limit commitments are TL 120,905 and TL 117,151 respectively.

b) Nature and amount of contingent loss and commitments from off-balance sheet items including below statements:

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

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

As of September 30, 2004 total guarantees and commitments consist of letter of guarantees amounting to TL 931,640 (2003 - TL 798,859), acceptances amounting to TL 52,420 (2003 - TL 53,033), and letters of credit amounting to TL 574,161 (2003 - TL 470,809).

b.2) Guarantees, surety ships and similar transactions : The Group has other commitments and contingencies amounting TL 2,639 (2003 - TL 871) other than the ones explained in article b.1).

3.a) Non-cash loans:

	Current Period	Prior Period
Guarantees Given Against Cash Loans	92,493	82,295
With Maturity of 1 Year or Less than 1 Year	17,497	18,629
With Maturity of More than 1 Year	74,996	63,666
Other Non-Cash Loans	1,468,367	1,241,277
<b>Total</b>	<b>1,560,860</b>	<b>1,323,572</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.

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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)

(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

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: October 2004**

<b>Bank Financial Strength</b>	D+
<b>Long Term Deposits</b>	B2

**Fitch Ratings: November 2004**

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

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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

**V. Footnotes And Explanations Related To The Consolidated Statement Of Cash Flows**

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

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

	<b>Current Period</b>	<b>Prior Period</b>
	<b>30.09.2004</b>	<b>30.09.2003</b>
Beginning of the year		
Cash	71,901	108,085
Cash equivalents	1,927,101	2,214,000
End of the year		
Cash	81,660	82,496
Cash equivalents	1,806,266	1,812,771

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

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

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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

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

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

Prior period balances represent December 31, 2003 balance sheet and September 30 ,2003 income statement figures.

a) Current Period:

Bank's Risk Group (*)	Investments and subsidiaries		Direct and indirect shareholders of the Group		Other entities included in related parties	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	-	-	70,953	1,471	2,970	5,040
Balance at end of Period	-	-	40,956	1,303	-	2,227
Interest and Commission Income	-	-	3,092	10	18	17

b) Prior Period:

Bank's Risk Group (*)	Investments and subsidiaries		Direct and indirect shareholders of the Group		Other entities included in related parties	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	-	-	125,774	8,382	12,648	5,447
Balance at end of Period	-	-	70,953	1,471	2,970	5,040
Interest and Commission Income	-	-	5,247	17	1,999	53

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

Bank's Risk Group (*)	Investments and subsidiaries		Direct and indirect shareholders of the Group		Other entities included in related parties	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Balance at Beginning of Period	-	-	181,189	233,075	742,305	962,727
Balance at end of Period	-	-	249,215	181,189	767,420	742,305
Interest on Deposits	-	-	5,304	3,355	10,130	10,405

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

Bank's Risk Group (*)	Investments and subsidiaries		Direct and indirect shareholders of the Group		Other entities included in related parties	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Trading Transactions						
Beginning of Period	-	-	24,636	53,947	36,993	30,498
End of Period	-	-	22,073	24,636	-	36,993
Total Income/Loss	-	-	60	(1,740)	-	(333)
Hedging Transactions Purposes						
Beginning of Period	-	-	-	-	-	-
End of Period	-	-	-	-	-	-
Total Income/Loss	-	-	-	-	-	-

(\*) 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 REVIEW REPORT AND FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXIV)

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

2. Information about the risk group of the Bank

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

The Parent Bank enters into banking transactions with group companies in accordance with the Banking Law. These are commercial transactions and realized at market prices.

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

	Amount	% According to the Amounts at the Financial Statements
Deposits	1,016,635	29.50
Forward Transactions and Option Agreements	22,073	3.11
Cash Loans	40,956	1.92
Noncash Loans	3,530	0.23

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

- c) Sum of similar items, except for the cases that require separate disclosures to assess impact on financial statements: Explained in item b above.
- d) Investments accounted for under the equity method : None.
- e) Disclosures related to purchase and sale of real estate and other assets, trading of services, agency contracts, leasing contracts, transferring information as a result of research and development, license contracts, financing (loans and cash or real capital supports included), guarantees, and management contracts :

The Group has financial lease agreements with TEB Leasing. Total leasing obligations related to these agreements amounting to TL 4,591 is eliminated in the accompanying consolidated financial statements. Additionally, the Group provides agency services for TEB Sigorta and TEB Yatirim.

Within the limits of the Banking Law, the Group renders cash and non-cash loans to its related parties and the ratio of these to the Group's total cash and non-cash loan portfolio is 1.21%. Amounts of these loans are explained in the Note VI-1a.

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

As of September 30, 2004 the Group has no purchases and sale of real estate and other assets, transfer of information as a result of research and development, license and management contracts with the related parties.

Explanations on sale and purchase of investment in associates and subsidiaries within the group companies are presented on Section V, Part 1, Notes 6 and 7.

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

## **VII- Footnotes and Explanations Related to Inflation Accounting**

### **Inflation Accounting**

The accompanying financial statements are prepared by applying inflation accounting to the financial statements, 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 September 30, 2004 based on the wholesale price indices announced by the State Institute of Statistics, the cumulative three-year inflation rate in Turkey is 89%.

AAR 14 requires that financial statements prepared in highly inflationary economies be stated in terms of the measuring units current at the balance sheet date and corresponding figures for previous periods be restated in the same units the financial statements of prior year should be restated in their entirety to the measuring unit current at the balance sheet date.

The main guidelines for inflation accounting are as follows:

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

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

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

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

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

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

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



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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

Indices and conversion factors that are used to restate the accompanying the financial statements as of September 30, 2004, reflecting the restatement for the changes in the general purchasing power of the Turkish is as follows:

	Index	Conversion Factors
December 31, 2003	7,382.1	1.093
December 31, 2002	6,478.8	1.246
December 31, 2001	4,951.7	1.630
September 30, 2004	8,069.7	1.000
September 30, 2003	7,173.3	1.125

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

Explanations regarding the economical life of assets subject to depreciation, depreciation calculation made in accordance with the regulations and indexed amounts, and whether expertise values are used to determine the fair values of these assets:

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

Financial statements for the period ended September 30, 2004 are reviewed. Balance sheet as of December 31, 2003 is audited and income statement for the period ended September 30, 2003 is reviewed.

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

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)**

**(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)**

**VIII- Explanations Related to Subsequent Events**

- a) Disclosure related to subsequent events and their impact on the financial statements as required by the related standard:
- a.1) The syndication loan which is included in the accompanying financial statements amounting to USD 125,000,000 has been repaid at October 25, 2004 and in accordance with the decision of the Board of Directors of the Bank dated November 1, 2004 numbered 3671/66, an agreement for a one- year syndication loan amounting to USD 200,000,000 is signed on November 9, 2004.
- a.2) It was decided to sell the shares of TEB Sigorta held by the Group with a shareholding percentage of 75 % to TEB Mali Yatirimlar with the amount of 750 TL. The transaction is realized subsequent to September 30, 2004.
- a.3) In accordance with the notification made by TEB Mali Yatirimlar, the ultimate shareholder of the Parent Bank, at November 22, 2004, it was announced that TEB Mali Yatirimlar will transfer shares representing 50% of the capital to BNP Paribas. The share purchase price is USD 216,800,000 to be adjusted to reflect the difference between the balance sheet as at June 30, 2004 and the balance sheet as at the date of transfer. Additional payments may be made based on the performance TEB Mali Yatirimlar within the next three years as well as for other contingencies.
- b) The material changes related to foreign exchange rates subsequently raised that affect the decisions and the assessment of the financial statements users in case of not explained: None.

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

TÜRK EKONOMİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF  
INFLATION FOR THE INTERIM PERIOD ENDED AS OF SEPTEMBER 30, 2004 (Continued)  
(Currency-Billions of Turkish lira in equivalent purchasing power at September 30, 2004)

## SECTION SIX

### REVIEW REPORT OF INDEPENDENT AUDITORS

#### I. Explanations on the Review Report of Independent Auditors:

The consolidated interim financial statements of the Group were reviewed by Guney Serbest Muhasebeci Mali Musavirlik A.S. (An Affiliated Firm of Ernst & Young International) and the review report of independent auditors, dated November 26, 2004, is presented preceding the consolidated interim financial statements.