

**Turk Ekonomi Bankasi
Anonim Sirketi**

**Consolidated Financial Statements
As of June 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 JUNE 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 Bank) and its subsidiaries as of June 30, 2004 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the interim period then ended. These financial statements are expressed in the equivalent purchasing power of Turkish lira as of June 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 June 30, 2004 and the consolidated results of their operations and cash flows 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. The Bank's consolidated financial statements prepared in accordance with IFRS will be issued separately.

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

Aysen Topay, SMMM

August 26, 2004
Istanbul, Turkiye

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

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SECTION ONE

GENERAL INFORMATION

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

- a) Commercial name of the Bank : Turk Ekonomi Bankasi Anonim Sirketi (the Bank)
Reporting period : 1 January – 31 March 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. 84.23% 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 without any changes or exceptions, 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) There are no transactions that may cause a structural change for the Bank such as restructuring, mergers and acquisitions, or discontinuation of any operations.
- j) There are no subsequent changes in the commitments and contingencies of the Bank that have arisen subsequent to the year-end balance sheet date.

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

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
- IV. Consolidated Statements of Changes in Shareholders Equity
- V. Consolidated Statements of Cash Flows

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

I- CONSOLIDATED BALANCE SHEETS – ASSETS

	Note Ref. (Section 5)	Reviewed			Audited		
		Current Period 30.06.2004			Prior Period 31.12.2003		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY		88,496	546,438	634,934	67,679	559,461	627,140
1.1 Cash		11,433	-	11,433	9,263	8	9,271
1.2 Foreign currency		-	64,486	64,486	-	61,854	61,854
1.3 Balances with the Central Bank of Turkey	I-1	77,063	481,908	558,971	58,416	497,420	555,836
1.4 Other		-	44	44	-	179	179
II. TRADING SECURITIES (Net)	I-2	62,383	15,384	77,767	40,795	14,250	55,045
2.1 Public sector debt securities		62,296	15,042	77,338	40,795	13,025	53,820
2.1.1 Government bonds		36,223	1,092	37,315	32,921	854	33,775
2.1.2 Treasury bills		26,072	-	26,072	7,873	-	7,873
2.1.3 Other public sector debt securities		1	13,950	13,951	1	12,171	12,172
2.2 Share certificates		87	-	87	-	-	-
2.3 Other marketable securities		-	342	342	-	1,225	1,225
III. BANKS AND OTHER FINANCIAL INSTITUTIONS		35,680	823,710	859,390	91,907	806,620	898,527
3.1 Due from banks		35,680	823,710	859,390	91,907	806,620	898,527
3.1.1 Domestic banks		18,183	180,092	198,275	70,191	164,192	234,383
3.1.2 Foreign banks		17,497	643,618	661,115	21,716	642,428	664,144
3.1.3 Branches and head office abroad		-	-	-	-	-	-
3.2 Other financial institutions		-	-	-	-	-	-
IV. MONEY MARKET PLACEMENTS		476,011	63,679	539,690	399,570	69,305	468,875
4.1 Interbank money market placements		460,000	63,679	523,679	396,859	69,305	466,164
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		16,011	-	16,011	2,711	-	2,711
V. SECURITIES AVAILABLE FOR SALE (Net)	I-3	73,486	83,551	157,037	10	-	10
5.1 Share certificates		9	-	9	10	-	10
5.2 Other marketable securities		73,477	83,551	157,028	-	-	-
VI. LOANS		743,976	1,253,534	1,997,510	605,769	1,253,594	1,859,363
6.1 Short term	I-4	638,123	870,139	1,508,262	527,941	929,157	1,457,098
6.2 Medium and long term	I-4	94,939	383,395	478,334	68,668	324,437	393,105
6.3 Loans under follow-up		20,840	-	20,840	26,401	-	26,401
6.4 Specific provisions (-)	I-4	(9,926)	-	(9,926)	(17,241)	-	(17,241)
VII. FACTORING RECEIVABLES		78,694	32,855	111,549	97,274	27,112	124,386
VIII. SECURITIES HELD TO MATURITY (Net)		65,350	7,260	72,610	92,904	5,991	98,895
8.1 Public sector debt securities		65,350	7,260	72,610	92,904	5,991	98,895
8.1.1 Government bonds	I-5	65,350	7,260	72,610	92,781	1,410	94,191
8.1.2 Treasury bills		-	-	-	123	4,581	4,704
8.1.3 Other public sector debt securities		-	-	-	-	-	-
8.2 Other marketable securities		-	-	-	-	-	-
IX. UNCONSOLIDATED INVESTMENTS IN ASSOCIATES (Net)		616	-	616	550	-	550
9.1 Financial associates	I-6	616	-	616	550	-	550
9.2 Non-Financial associates		-	-	-	-	-	-
X. UNCONSOLIDATED INVESTMENTS IN SUBSIDIARIES (Net)		414	-	414	414	-	414
10.1 Financial subsidiaries	I-7	414	-	414	414	-	414
10.2 Non-Financial subsidiaries		-	-	-	-	-	-
XI. OTHER INVESTMENTS (Net)		-	-	-	-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	I-8	4,654	155,053	159,707	4,577	157,361	161,938
12.1 Gross finance lease receivables		5,562	173,181	178,743	5,118	176,679	181,797
12.2 Unearned income (-)		(908)	(18128)	(19,036)	(541)	(19,318)	(19,859)
XIII. RESERVE DEPOSITS		23,766	143,907	167,673	19,471	140,492	159,963
XIV. MISCELLANEOUS RECEIVABLES		4,082	324	4,406	1,026	1,521	2,547
XV. ACCRUED INTEREST AND INCOME RECEIVABLES	I-9	29,455	14,230	43,685	26,419	14,519	40,938
15.1 Loans		17,387	8,356	25,743	10,538	8,687	19,225
15.2 Marketable securities		5,173	473	5,646	2,948	534	3,482
15.3 Other		6,895	5,401	12,296	12,933	5,298	18,231
XVI. PROPERTY AND EQUIPMENT (Net)		44,617	7,756	52,373	45,478	6,870	52,348
16.1 Book value		123,177	8,645	131,822	120,116	7,845	127,961
16.2 Accumulated depreciation (-)		(78,560)	(889)	(79,449)	(74,638)	(975)	(75,613)
XVII. INTANGIBLE ASSETS [Net]		4,346	183	4,529	4,225	86	4,311
17.1 Goodwill		455	-	455	455	-	455
17.2 Other		12,066	1,177	13,243	11,824	1,093	12,917
17.3 Accumulated amortization (-)		(8,175)	(994)	(9,169)	(8,054)	(1,007)	(9,061)
XVIII. OTHER ASSETS	I-10	47,692	15,191	62,883	68,648	12,325	80,973
TOTAL ASSETS		1,783,718	3,163,055	4,946,773	1,566,716	3,069,507	4,636,223

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

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

II- CONSOLIDATED BALANCE SHEETS - LIABILITIES

	Note Ref. (Section Five)	Reviewed			Audited		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	II-1	993,389	2,507,418	3,500,807	802,036	2,502,254	3,304,290
1.1 Bank deposits		57,888	76,335	134,223	85,125	79,074	164,199
1.2 Saving deposits		482,906	-	482,906	315,528	-	315,528
1.3 Public sector deposits		63,055	-	63,055	112	-	112
1.4 Commercial deposits		340,185	-	340,185	355,709	-	355,709
1.5 Other institutions deposits		49,355	-	49,355	45,562	-	45,562
1.6 Foreign currency deposits		-	2,418,745	2,418,745	-	2,407,265	2,407,265
1.7 Precious metals deposit accounts		-	12,338	12,338	-	15,915	15,915
II. MONEY MARKET BALANCES		14,941	-	14,941	16,677	-	16,677
2.1 Interbank money market takings		-	-	-	-	-	-
2.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
2.3 Funds provided under repurchase agreements	II-2	14,941	-	14,941	16,677	-	16,677
III. FUNDS BORROWED	II-3	77,351	717,512	794,863	73,444	565,079	638,523
3.1 Funds borrowed from the Central Bank of Turkey		-	-	-	-	-	-
3.2 Other funds borrowed	II-3	77,351	717,512	794,863	73,444	565,079	638,523
3.2.1 Domestic banks and institutions		47,617	36,320	83,937	34,246	27,811	62,057
3.2.2 Foreign banks, institutions and funds		29,734	681,192	710,926	39,198	537,268	576,466
IV. MARKETABLE SECURITIES ISSUED (Net)	II-4	-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset backed securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
V. FUNDS	II-5	-	-	-	-	-	-
VI. MISCELLANEOUS PAYABLES	II-6	20,408	23,579	43,987	22,238	17,218	39,456
VII. OTHER EXTERNAL RESOURCES	II-7	47,930	13,850	61,780	42,894	7,127	50,021
VIII. TAXES AND OTHER DUTIES PAYABLE		7,498	873	8,371	9,719	1,036	10,755
IX. FACTORING PAYABLES		22,036	18,906	40,942	51,954	17,903	69,857
X. FINANCE LEASE PAYABLES (Net)	II-8	-	-	-	-	-	-
10.1 Finance Lease Payables		-	-	-	-	-	-
10.2 Deferred finance lease expenses (-)		-	-	-	-	-	-
XI. ACCRUED INTEREST AND EXPENSES PAYABLE	II-9	30,102	16,852	46,954	26,195	16,476	42,671
11.1 Deposits	II-9	23,467	4,281	27,748	13,536	6,009	19,545
11.2 Borrowings	II-9	2,273	6,526	8,799	2,637	4,510	7,147
11.3 Repurchase agreements	II-9	10	-	10	15	-	15
11.4 Other	II-9	4,352	6,045	10,397	10,007	5,957	15,964
XII. PROVISIONS	II-10	36,460	2,532	38,992	60,228	7,703	67,931
12.1 General provisions	II-10	9,377	-	9,377	8,528	-	8,528
12.2 Reserve for employee termination benefits		2,783	-	2,783	2,553	-	2,553
12.3 Provisions for income taxes		7,100	2,532	9,632	37,004	7,703	44,707
12.4 Insurance technical reserves (Net)		16,939	-	16,939	11,803	-	11,803
12.5 Other provisions		261	-	261	340	-	340
XIII. SUBORDINATED LOANS	II-10	-	22,214	22,214	-	22,599	22,599
XIV. MINORITY RIGHTS		23,051	-	23,051	26,900	-	26,900
XV. SHAREHOLDERS' EQUITY	II-11	312,227	37,644	349,871	301,393	45,150	346,543
15.1 Paid-in capital	II-11	57,800	-	57,800	55,125	-	55,125
15.2 Supplementary capital		233,255	(283)	232,972	237,150	-	237,150
15.2.1 Share premium		68	-	68	-	-	-
15.2.2 Share cancellation profits		-	-	-	-	-	-
15.2.3 Marketable securities value increase fund		(3,300)	(283)	(3,583)	175	-	175
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		236,487	-	236,487	236,975	-	236,975
15.3 Profit reserves		14,271	33,142	47,413	8,639	2,813	11,452
15.3.1 Legal reserves		14,271	32,244	46,515	8,639	-	8,639
15.3.2 Status reserves		-	-	-	-	-	-
15.3.3 Extraordinary reserves		-	-	-	-	-	-
15.3.4 Other profit reserves		-	898	898	-	2,813	2,813
15.4 Profit or loss		6,901	4,785	11,686	479	42,337	42,816
15.4.1 Prior year income/loss		(11,305)	87	(11,218)	(45,116)	35,629	(9,487)
15.4.1.1 Group's share		91	87	178	(33,787)	35,629	1,842
15.4.1.2 Minority shares		(11,396)	-	(11,396)	(11,329)	-	(11,329)
15.4.2 Current year income/loss		18,206	4,698	22,904	45,595	6,708	52,303
15.4.2.1 Group's share		17,853	4,698	22,551	45,559	6,708	52,267
15.4.2.2 Minority shares		353	-	353	36	-	36
TOTAL LIABILITIES		1,585,393	3,361,380	4,946,773	1,433,678	3,202,545	4,636,223

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

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE SECTION III, NOTE XXIV)
TURK EKONOMI BANKASI A.S.
STATEMENTS OF CONSOLIDATED OFF BALANCE SHEET CONTINGENCIES AND
COMMITMENTS
RESTATE FOR THE EFFECTS OF INFLATION AS OF JUNE 30, 2004 AND DECEMBER 31 2003
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2004)**

III- CONSOLIDATED STATEMENTS OF OFF-BALANCE SHEET COMMITMENTS

	Note Ref. (Section 5)	Reviewed			Audited		
		Current Period 30.06..2004			Prior Period 31.12.2003		
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		1,050,115	2,335,769	3,385,884	840,815	1,874,601	2,715,416
I. GUARANTEES	IV-2,3	438,456	1,032,814	1,471,270	410,620	898,683	1,309,303
1.1 Letters of guarantee		436,709	426,784	863,493	410,542	379,705	790,247
1.1.1 Guarantees subject to State Tender Law		37,459	942	38,401	35,429	1,962	37,391
1.1.2 Guarantees given for foreign trade operations		99,581	28,753	128,334	92,408	4,578	96,986
1.1.3 Other letters of guarantee		299,669	397,089	696,758	282,705	373,165	655,870
1.2 Bank acceptances		-	50,864	50,864	-	52,461	52,461
1.2.1 Import acceptances		-	50,864	50,864	-	52,461	52,461
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	554,297	554,297	78	465,655	465,733
1.3.1 Documentary letters of credit		-	524,166	524,166	78	427,050	427,128
1.3.2 Other letters of credit		-	30,131	30,131	-	38,605	38,605
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		1,747	-	1,747	-	-	-
1.9 Other suretyships		-	869	869	-	862	862
II. COMMITMENTS		396,295	450,053	846,348	364,870	301,482	666,352
2.1 Irrevocable commitments		392,872	384,893	777,765	362,169	301,482	663,651
2.1.1 Asset purchase commitments		12,204	84,423	96,627	-	-	-
2.1.2 Deposit purchase and sales commitments		1,000	300,298	301,298	-	301,482	301,482
2.1.3 Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		124,156	-	124,156	133,812	-	133,812
2.1.5 Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Payment commitment for checks		122,751	-	122,751	110,949	-	110,949
2.1.8 Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card expenditure limits	IV-2	117,656	-	117,656	115,888	-	115,888
2.1.10 Receivables from short sale commitments		-	-	-	-	-	-
2.1.11 Payables for short sale commitments		-	-	-	-	-	-
2.1.12 Other irrevocable commitments		15,105	172	15,277	1,520	-	1,520
2.2 Revocable commitments		3,423	65,160	68,583	2,701	-	2,701
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		3,423	65,160	68,583	2,701	-	2,701
III. DERIVATIVE FINANCIAL INSTRUMENTS		215,364	852,902	1,068,266	65,325	674,436	739,761
3.1 Forward foreign currency buy/sell transactions		215,364	715,076	930,440	65,325	377,877	443,202
3.1.1 Forward foreign currency transactions-buy		70,004	394,373	464,377	23,754	196,421	220,175
3.1.2 Forward foreign currency transactions-sell		145,360	320,703	466,063	41,571	181,456	223,027
3.2 Swap transactions related to f.c. and interest rates		-	137,826	137,826	-	296,559	296,559
3.2.1 Foreign currency swap-buy		-	65,442	65,442	-	147,334	147,334
3.2.2 Foreign currency swap-sell		-	65,414	65,414	-	148,280	148,280
3.2.3 Interest rate swaps-buy		-	3,417	3,417	-	443	443
3.2.4 Interest rate swaps-sell		-	3,553	3,553	-	502	502
3.3 Foreign currency and interest rate options		-	-	-	-	-	-
3.3.1 Foreign currency options-buy		-	-	-	-	-	-
3.3.2 Foreign currency options-sell		-	-	-	-	-	-
3.3.3 Interest rate options-buy		-	-	-	-	-	-
3.3.4 Interest rate options-sell		-	-	-	-	-	-
3.3.5 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. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		2,386,130	1,034,414	3,420,544	1,921,559	665,162	2,586,721
IV. ITEMS HELD IN CUSTODY		1,914,017	382,156	2,296,173	1,397,647	328,695	1,726,342
4.1 Assets under management		149,864	-	149,864	-	-	-
4.2 Investment securities held in custody		761,040	191,521	952,561	533,697	156,715	690,412
4.3 Checks received for collection		946,153	91,501	1,037,654	807,838	76,513	884,351
4.4 Commercial notes received for collection		54,806	39,577	94,383	51,717	38,878	90,595
4.5 Other assets received for collection		24	59,557	59,581	-	56,589	56,589
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		2,130	-	2,130	4,395	-	4,395
4.8 Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		472,113	652,258	1,124,371	523,912	336,467	860,379
5.1 Marketable securities		47,320	23,584	70,904	23,449	15,803	39,252
5.2 Guarantee notes		5,505	2,336	7,841	6,209	2,475	8,684
5.3 Commodity		21,215	233,065	254,280	203,393	16,525	219,918
5.4 Warranty		-	-	-	-	-	-
5.5 Immovables		248,928	241,863	490,791	152,705	189,392	342,097
5.6 Other pledged items		149,145	151,410	300,555	138,156	112,272	250,428
5.7 Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		3,436,245	3,370,183	6,806,428	2,762,374	2,539,763	5,302,137

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)
TURK EKONOMI BANKASI A.S.
CONSOLIDATED INCOME STATEMENTS RESTATED FOR THE EFFECTS OF INFLATION FOR
THE INTERIM PERIODS ENDED JUNE 30, 2004 AND 2003
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2004)

IV- CONSOLIDATED STATEMENTS OF INCOME

		Reviewed	Reviewed	Reviewed	Reviewed
		Current Period	Prior period	01.04.2004	01.04.2003
		30.06.2004	30.06.2003	- 30.06.2004	- 30.06.2003
Note Ref.		Total	Total	Total	Total
(Section 5)					
I.	INTEREST INCOME	238,592	229,130	123,187	104,574
1.1	Interest on loans	125,936	110,768	69,614	53,146
1.1.1	Interest on TL loans	95,515	81,254	53,463	40,455
1.1.1.1	Short term loans	84,874	77,367	46,596	39,188
1.1.1.2	Medium and long term loans	10,641	3,887	6,867	1,267
1.1.2	Interest on foreign currency loans	30,193	29,337	16,027	12,633
1.1.2.1	Short term loans	20,679	17,886	10,948	8,844
1.1.2.2	Medium and long term loans	9,514	11,451	5,079	3,789
1.1.3	Interest on loans under follow-up	228	177	124	58
1.1.4	Premiums received from Resource Utilization Support Fund	-	-	-	-
1.2	Interest received from reserve deposits	3,675	3,111	1,770	1,445
1.3	Interest received from banks	13,298	24,683	6,774	10,458
1.3.1	The Central Bank of Turkey	18	-	(3)	-
1.3.2	Domestic banks	6,180	15,019	2,760	8,144
1.3.3	Foreign banks	7,100	9,664	4,017	2,314
1.4	Interest received from money market placements	40,281	53,287	21,465	22,055
1.5	Interest received from marketable securities portfolio	37,322	14,247	13,308	7,040
1.5.1	Trading securities	8,082	2,450	2,878	1,265
1.5.2	Available-for-sale securities	16,541	874	4,653	54
1.5.3	Held to maturity securities	12,699	10,923	5,777	5,721
1.6	Other interest income	18,080	23,034	10,256	10,430
II.	INTEREST EXPENSE	132,705	133,247	65,703	71,365
2.1	Interest on deposits	109,279	93,698	54,943	44,763
2.1.1	Bank deposits	10,187	7,106	5,246	3,384
2.1.2	Saving deposits	46,860	43,014	24,900	24,586
2.1.3	Public sector deposits	47	-	31	-
2.1.4	Commercial deposits	40,449	30,777	19,150	13,708
2.1.5	Other institutions deposits	739	216	293	110
2.1.6	Foreign currency deposits	10,923	12,495	5,288	2,955
2.1.7	Precious metals vault accounts	74	90	35	20
2.2	Interest on money market borrowings	4,848	10,933	921	6,608
2.3	Interest on funds borrowed	18,318	16,353	9,615	7,934
2.3.1	The Central Bank of Turkey	-	-	-	-
2.3.2	Domestic banks	3,870	4,846	1,819	2,421
2.3.3	Foreign banks	12,699	11,507	6,871	5,513
2.3.4	Branches and head office abroad	-	-	-	-
2.3.5	Other financial institutions	1,749	-	925	-
2.4	Interest on securities issued	-	-	-	-
2.5	Other interest expense	260	12,263	224	12,060
III.	NET INTEREST INCOME (I - II)	105,887	95,883	57,484	33,209
IV.	NET FEES AND COMMISSIONS INCOME	29,843	18,804	14,877	8,266
4.1	Fees and commissions received	39,556	28,485	19,647	13,423
4.1.1	Cash loans	3,048	2,770	1,561	1,332
4.1.2	Non-cash loans	8,257	6,654	4,353	3,134
4.1.3	Other	28,251	19,061	13,733	8,957
4.2	Fees and commissions paid	9,713	9,681	4,770	5,157
4.2.1	Cash loans	1,290	1,467	689	742
4.2.2	Non-cash loans	99	353	88	215
4.2.3	Other	8,324	7,861	3,993	4,200
V.	DIVIDEND INCOME	-	-	-	-
5.1	Trading securities	-	-	-	-
5.2	Available-for-sale securities	-	-	-	-
VI.	NET TRADING INCOME/LOSS	2,061	14,249	(15,525)	23,586
6.1	Profit/losses on trading transactions (Net)	11,155	(7,075)	3,366	2,468
6.1.1	Profit on trading transactions	48,130	70,175	21,824	25,901
6.1.1.1	Profit on derivative financial instruments	32,079	43,561	15,554	11,728
6.1.1.2	Other	16,051	26,614	6,270	14,173
6.1.2	Losses on trading transactions (-)	36,975	77,250	18,458	23,433
6.1.2.1	Losses on derivative financial instruments	27,511	65,307	11,776	22,205
6.1.2.2	Other	9,464	11,943	6,682	1,228
6.2	Foreign exchange gains/losses (Net)	(9,094)	21,324	(18,891)	21,118
6.2.1	Foreign exchange gains	105,810	109,372	63,940	93,941
6.2.2	Foreign exchange losses (-)	114,904	88,048	82,831	72,823
VII.	OTHER OPERATING INCOME	12,855	9,786	9,125	4,734
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)	150,646	138,722	65,961	69,795
IX.	PROVISION FOR LOAN LOSSES OR OTHER RECEIVABLES (-)	10,220	3,381	(644)	1,532
X.	OTHER OPERATING EXPENSES (-)	83,432	81,736	47,353	39,031
XI.	NET OPERATING INCOME (IX-X-XI)	56,994	53,605	19,252	29,232
XII.	PROFIT/LOSSES FROM ASSOCIATES AND SUBSIDIARIES	-	188	-	188
XIII.	NET MONETARY GAIN/(LOSS)	(23,277)	(27,784)	(4,690)	953
XIV.	INCOME BEFORE TAXES	33,717	26,009	14,562	30,373
XV.	PROVISION FOR TAXES ON INCOME (-)	10,931	16,158	(639)	8,109
XVI.	NET OPERATING INCOME/EXPENSE AFTER TAXES	22,786	9,851	15,201	22,264
XVII.	EXTRAORDINARY INCOME/EXPENSE AFTER TAXES	118	-	-	(6)
17.1	Extraordinary net income/expense before taxes	118	-	-	(6)
17.1.1	Extraordinary income	118	-	-	(44)
17.1.2	Extraordinary expense (-)	-	-	-	(38)
17.2	Provision for taxes on extraordinary income	-	-	-	-
XVIII.	PROFIT/LOSSES ON UNCONSOLIDATED INVESTMENTS (-)	-	-	-	-
XIX.	NET PROFIT/LOSSES (XVI+XVII+XVIII)	22,904	9,851	15,201	22,258
19.1	Group's profit/loss	22,551	10,857	16,001	21,468
19.2	Minority Profit/Loss	353	(1,006)	(805)	790
	Earnings/Losses per share (Full amount)	198.16	89.35	137.88	201.88

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)

TURK EKONOMI BANKASI A.S.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY RESTATED FOR THE EFFECTS OF INFLATION
FOR THE INTERIM PERIOD ENDED JUNE 30, 2004 AND 2003

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

V- CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Paid-in Capital	Effect on inflation Accounting on Capital	Share premium	Share certificate cancellation profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Revaluation Fund	Value Increase Fund Revaluation Fund	Marketable Securities Value Increase Fund	Total
Prior Period - 30.06.2003														
I. Balances at the end of prior period	55,125	236,975	-	-	5,434	-	-	7,209	32,031	(21,312)	-	-	248	315,710
II. Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance	55,125	236,975	-	-	5,434	-	-	7,209	32,031	(21,312)	-	-	248	315,710
IV. Net Profit or Losses	-	-	-	-	-	-	-	-	9,851	-	-	-	-	9,851
V. Profit Distribution	-	-	-	-	2,750	-	-	-	(32,031)	11,625	-	-	-	(17,656)
5.1 Dividends distributed	-	-	-	-	-	-	-	-	-	(17,656)	-	-	-	(17,656)
5.2 Transfers to legal reserves	-	-	-	-	2,750	-	-	-	(32,031)	29,281	-	-	-	-
5.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Increase in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Revaluation Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.3 Value Increase Fund Revaluation Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.4 Marketable Securities Value Increase Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.5 Adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.6 Issuance of share certificates at end of period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.7 Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.8 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Others (*)	-	-	-	-	17	-	-	(5,524)	-	-	-	-	(95)	(5,602)
Balances (I+II+IV+V+VI+VII)	55,125	236,975	-	-	8,201	-	-	1,685	9,851	(9,687)	-	-	153	302,303
Current Period - 30.06.2004														
I. Balances at the end of prior period	55,125	236,975	-	-	8,639	-	-	2,813	52,303	(9,487)	-	-	175	346,543
Increases in the period:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Investments securities available for sale	-	-	-	-	-	-	-	-	-	-	-	-	(3,758)	(3,758)
2.1 Net fair value gains/losses	-	-	-	-	-	-	-	-	-	-	-	-	(3,758)	(3,758)
III. Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.1 Net fair value gains/losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transferred Amounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Investments securities available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Transferred to net income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.1 Transferred to net income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.2 Transferred to assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Net Profit or Losses	-	-	-	-	-	-	-	-	22,904	-	-	-	-	22,904
VII. Profit Distribution	-	-	-	-	37,876	-	-	-	(52,303)	(2,390)	-	-	-	(16,817)
7.1 Dividends distributed	-	-	-	-	-	-	-	-	-	(16,301)	-	-	-	(16,301)
7.2 Transfers to legal reserves	-	-	-	-	37,876	-	-	-	(52,303)	13,911	-	-	-	(516)
7.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Increase in capital	2,675	(488)	-	-	-	-	-	-	-	(2,187)	-	-	-	-
8.1 Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.2 Revaluation Fund	2,675	(488)	-	-	-	-	-	-	-	(2,187)	-	-	-	-
8.3 Value Increase Fund Revaluation Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.4 Marketable Securities Value Increase Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.5 Adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.6 Issuance of share certificates at end of period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.7 Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.8 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Others (*)	-	-	68	-	-	-	-	(1,915)	-	2,846	-	-	-	999
Closing Balances	57,800	236,487	68	-	46,515	-	-	898	22,904	(11,218)	-	-	(3,583)	349,871

(*) Includes changes in the consolidation structure, currency translation and marketable securities value increase fund.

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)
TURK EKONOMI BANKASI A.S.
NOTES TO CONSOLIDATED STATEMENTS OF OF CASH FLOWS
AS OF JUNE 30, 2004 AND 2003
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2004)**

VI- CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note Ref. (Section 5)	Current Period 30.06.2004	Prior Period 30.06.2003
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		30,585	64,200
1.1.1 Interest received		237,432	229,605
1.1.2 Interest paid		(127,183)	(123,595)
1.1.3 Dividend received		-	-
1.1.4 Fees and commissions received		39,556	28,485
1.1.5 Other income		17,596	21,973
1.1.6 Collections from previously written off loans and other receivables		3,588	2,485
1.1.7 Payments to personnel and service suppliers		(43,457)	(37,302)
1.1.8 Taxes paid		(25,128)	(63,892)
1.1.9 Others		(71,819)	6,441
1.2 Changes in operating assets and liabilities		174,708	(483,112)
1.2.1 Net (increase) decrease in trading securities		(22,722)	(31,454)
1.2.2 Net (increase) decrease in due from banks and other financial institutions		(9,103)	22,360
1.2.3 Net (increase) decrease in loans		(136,343)	165,182
1.2.4 Net (increase) decrease in other assets		8,057	(45,917)
1.2.5 Net increase (decrease) in bank deposits		(29,976)	(33,323)
1.2.6 Net increase (decrease) in other deposits		226,493	(625,557)
1.2.7 Net increase (decrease) in funds borrowed		156,340	19,475
1.2.8 Net increase (decrease) in matured payables		-	-
1.2.9 Net increase (decrease) in other liabilities		(18,038)	46,122
I. Net cash provided from banking operations		205,293	(418,912)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities		(141,923)	(14,732)
2.1 Cash paid for purchase of investments, associates and subsidiaries		-	-
2.2 Cash obtained from sale of investments, associates and subsidiaries		-	-
2.3 Fixed assets purchases		(6,612)	(3,263)
2.4 Fixed assets sales		1,803	2,009
2.5 Cash paid for purchase of securities available for sale		(157,027)	(32,082)
2.6 Cash obtained from sale of securities available for sale		-	20,780
2.7 Cash paid for purchase of investment securities		(26,991)	(2,694)
2.8 Cash obtained from sale of investment securities		46,904	518
2.9 Extraordinary items		-	-
2.10 Other s		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities		(16,183)	(17,656)
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Capital increase		-	-
3.4 Dividends paid		(16,301)	(17,656)
3.5 Payments for finance leases		-	-
3.6 Extraordinary items		118	-
3.7 Others		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		(9,107)	(49,075)
V. Net increase / (decrease) in cash and cash equivalents		38,080	(500,374)
VI. Cash and cash equivalents at beginning of the period	VI-1	1,977,445	2,297,051
VII. Cash and cash equivalents at end of the period	VI-1	2,015,525	1,796,677

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)
TURK EKONOMI BANKASI A.S.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS RESTATED FOR THE EFFECTS OF
INFLATION
FOR THE INTERIM PERIOD ENDED AS OF JUNE 30, 2004
(Currency-Billions of Turkish lira in equivalent purchasing power at June 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

None.

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

Turk Ekonomi Bankasi Anonim Sirketi and its financial institutions, The Economy Bank N.V. (Economy Bank), Petek International Holdings B.V. (Petek International), TEB Yatirim Menkul Degerler A.S. (TEB Yatirim), TEB Portfoy Yonetimi A.S. (TEB Portfoy), TEB Finansal Kiralama A.S. (TEB Leasing), TEB Factoring A.S. (TEB Factoring) and TEB Sigorta A.S. (TEB Sigorta) are included in the accompanying consolidated financial statements by full consolidation method. The 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”.

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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.

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 Portfoy	Istanbul
TEB Leasing	Istanbul
TEB Factoring	Istanbul
TEB Sigorta	Istanbul

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

The unconsolidated subsidiary TEB Kiyetli Madenler Anonim Sirketi (TEB Kiyetli Madenler) is valued at cost. The financial statements of TEB Kiyetli Madenler is not included in the consolidation as of June 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 June 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.

No subsidiaries were acquired during the current period. There are no subsidiaries disposed during the current or previous periods.

Explanations on Foreign Currency Transactions

Gains or losses arising from foreign currency transactions are reflected in the statement of income as they are realized during the year. Foreign currency assets and liabilities at each year-end are translated into Turkish lira at the year-end foreign exchange buying rates announced by the Parent Bank and the resulting foreign exchange gains or losses are recorded in the statement of income as foreign exchange gain or loss. The USD exchange rate used for translating foreign currency transactions into Turkish Lira and reflecting these to consolidated financial statements as of June 30, 2004 is TL 1,480,911 (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 898 (2003-TL 2,813) has been reflected in "Other Profit Reserves" under shareholders' equity.

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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 and swap 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- Offsetting of Financial Assets and Liabilities

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

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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 June 30, 2004, the Parent Bank 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 exist for funding ability till maturity. This portfolio excludes bank originated loans and receivables.

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

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

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. If these securities do not have a quoted price formed in an active market and since the fair values of these securities could not be determined reliably, they are valued as 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.

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

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

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

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.

There are no foreign currency unconsolidated participations or subsidiaries.

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.

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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 455 (2003 – TL 455), 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 410 (2003-TL 365).

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

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. 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 approximate to the restated costs at June 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 at a rate of 20%. A prorata basis is used for depreciation of assets held less than one year as of the balance sheet date. The leasehold improvements are depreciated in accordance with the lease period by straight-line method. The annual rates used, which approximate rates based on the estimated economic useful lives of the related assets, are as follow:

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

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

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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.

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 statements in the periods in which they are incurred.

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 June 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.

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As of June 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 participations and subsidiaries provided full reserve for retirement pay for the eligible personnel as of June 30, 2004 and December 31, 2003.

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 utilise 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 will be derived from the financial statements which are adjusted for inflation accounting. Accumulated earnings arising from the first application of inflation accounting on December 31, 2003 balance sheet will not be subject to corporation tax, and similarly accumulated deficits arising from such application will not be deductible for tax purposes. Moreover, accumulated tax loss carry forwards related with 2003 and prior periods will be utilized at their historical (nominal) values in 2004 and future years. The 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.

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Deferred tax

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

As of June 30, 2004 and December 31, 2003, the deferred tax asset is included in other assets in the accompanying balance sheet and the deferred tax provision is stated under the tax provision in the accompanying income statement.

XVIII- Additional Explanations on Borrowings

There are no debt securities issued by the 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 June 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.

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

XXI- Government Incentives

There are no government incentives utilized by the Group.

XXII- Securities at Custody

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

XXIII- Impairment of Assets

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

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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. The Bank's consolidated financial statements prepared in accordance with IFRS will be issued separately.

There are no other issues required need to be disclosed.

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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 June 30, 2004, the Bank's capital adequacy ratio is %14.99 (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.

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Information related to the capital adequacy ratio:

	Consolidated				Parent Bank			
	Risk Weight				Risk Weight			
	0%	20%	50%	100%	0%	20%	50%	100%
Risk Weighted Assets, Liabilities and Non Cash								
Loans								
Balance Sheet items (Net)	1,627,310	839,204	252,171	1,870,620	1,416,215	244,734	92,025	1,306,250
Cash	75,919	44	-	-	75,890	44	-	-
Due from banks	558,971	839,160	-	20,230	558,971	244,690	-	108
Interbank money market placements	523,679	-	-	-	523,679	-	-	-
Receivables from reverse repo transactions	16,011	-	-	-	-	-	-	-
Reserve deposits	167,673	-	-	-	167,673	-	-	-
Special finance houses	-	-	-	-	-	-	-	-
Loans	262,044	-	81,879	1,754,222	79,106	-	81,879	1,261,338
Loans under follow-up (Net)	-	-	-	10,914	-	-	-	10,914
Subsidiaries, associates and investments held to maturity	-	-	-	-	-	-	-	-
Miscellaneous receivables	-	-	-	4,406	-	-	-	605
Marketable securities held to maturity (Net)	7,260	-	-	-	-	-	-	-
Advances for assets acquired by financial leasing	-	-	-	-	-	-	-	-
Financial lease receivables	-	-	159,707	-	-	-	-	-
Leased assets (Net)	-	-	10,585	-	-	-	10,146	-
Fixed assets (Net)	-	-	-	35,053	-	-	-	22,323
Other assets	15,753	-	-	45,795	10,896	-	-	10,962
Off balance sheet items	416,306	626,040	381,862	60,774	474,297	540,973	281,140	59,930
Guarantees and pledges	26,889	624,464	99,171	26,740	22,234	538,323	83,678	26,689
Commitments	384,893	-	281,150	-	449,881	-	197,462	-
Other off balance sheet items	-	-	-	-	-	-	-	-
Transactions related with derivative financial instruments	-	-	-	9,889	-	-	-	11,048
Interest and income accruals	4,524	1,576	1,541	24,145	2,182	2,650	-	22,193
Non risk weighted accounts	-	-	-	-	-	-	-	-
Total Assets Subject to Risk	2,043,616	1,465,244	634,033	1,931,394	1,890,512	785,707	373,165	1,366,180
Total Risk Weighted Assets	-	293,048	317,017	1,931,394	-	157,141	186,583	1,366,180

Summary information related to the capital adequacy ratio:

	Consolidated		Parent Bank	
	Current Period	Prior Period	Current Period	Prior Period
Total Risk Weighted Assets (I)	2,541,459	2,364,031	1,709,904	1,530,107
Amount Subject to Market Risk (II)	66,151	28,208	54,953	26,716
Shareholders' Equity	390,884	363,831	240,014	231,653
Shareholders' Equity / (I+II)*100	14.99	15.21	13.60	14.88

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Information related to the shareholders' equity components :

	Consolidated		Parent Bank	
	Current Period	Prior Period	Current Period	Prior Period
MAIN CAPITAL				
Paid-in Capital	69,618	55,125	57,800	55,125
Nominal capital	69,618	55,125	57,800	55,125
Capital commitments (-)	-	-	-	-
Effect on Inflation Accounting on Share Capital	245,708	236,975	237,119	236,975
Share Premium	68	-	-	-
Legal Reserves	49,425	11,452	6,496	2,641
First legal reserve (Turkish Commercial Code 466/1)	48,527	8,639	3,599	1,015
Second legal reserve (Turkish Commercial Code 466/2)	-	-	2,897	1,626
Other legal reserve per special legislation	898	2,813	-	-
Stature Reserves	-	-	-	-
Extraordinary reserves	-	-	-	-
Reserves allocated by the General Assembly	-	-	-	-
Retained earnings	-	-	-	-
Accumulated loss	-	-	-	-
Foreign currency share capital exchange difference	-	-	-	-
Profit	22,904	52,303	57,473	57,557
Current period profit	22,904	52,303	20,194	55,043
Prior period profit	-	-	37,279	2,514
Loss (-)	(11,218)	(9,487)	-	-
Current period loss	-	-	-	-
Prior period loss	(11,218)	(9,487)	-	-
Total Main Capital	376,505	346,368	358,888	352,298
SUPPLEMENTARY CAPITAL				
Revaluation Fund	-	-	-	632
Furniture, fixture and vehicles	-	-	-	-
Buildings	-	-	-	-
Profit on sale of associates, subsidiaries and buildings to be transferred to share capital	-	-	-	632
Revaluation fund of leasehold improvement	-	-	-	-
Increase in the Value of Revaluation Fund	-	-	-	-
Foreign Exchange Differences	-	-	-	-
General Reserves	9,377	8,528	9,377	8,528
Provisions for Possible Losses	-	-	-	-
Subordinated Loans	22,214	22,599	22,214	22,599
Marketable Securities and Investment Securities Value Increase Fund	(3,583)	175	(3,678)	120
Associates and subsidiaries	477	175	477	120
Available for sale securities	(4,060)	-	(4,155)	-
Structured positions	-	-	-	-
Total Supplementary Capital	28,008	31,302	27,913	31,879
TIER III CAPITAL	-	-	-	-
CAPITAL	404,513	377,670	386,801	384,177
DEDUCTIONS FROM THE CAPITAL	13,629	13,839	146,787	152,524
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	1,030	964	136,308	141,911
Leasehold improvements	6,735	8,541	6,247	7,205
Start-up costs	-	-	-	-
Prepaid expenses	5,819	4,244	4,232	3,408
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)	45	90	-	-
Capitalized expenses	-	-	-	-
Total Shareholder's Equity	390,884	363,831	240,014	231,653

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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	4,039	3,582
Capital to be employed for general market risk	4,039	3,582
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	9	-
Capital to be employed for general market risk	7	-
Capital to be employed for specific risk	2	-
Capital to be employed for options subject to common stock position risk	-	-
Capital to be employed for currency risk – Standard method	1,244	814
Capital liability	1,244	814
Capital to be employed for options subject to currency risk	-	-
Total Value-at-risk (VAR)-Internal Model	-	-
Total capital to be employed for market risk	5,292	4,396
Amount subject to market risk	66,151	54,953

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 Bank 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.

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As of June 30, 2004, the Group's net long position is TL 19,676 (2003 - TL 24,705 net long) resulting from short position amounting to TL 73,606 (2003- TL 13,960 long position) on the balance sheet and long position amounting to 53,930 (2003 – TL 38,665) from off-balance sheet position.

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

	23.06.2004	24.06.2004	25.06.2004	26.06.2004	29.06.2004	30.06.2004
USD	1,484,382	1,482,897	1,484,168	1,486,485	1,485,911	1,480,911
CHF	1,184,175	1,186,024	1,186,659	1,186,991	1,180,960	1,175,303
GBP	2,699,005	2,690,376	2,702,473	2,715,757	2,705,500	2,677,744
JPY	13,620	13,740	13,743	13,737	13,668	13,576
EUR	1,799,219	1,796,084	1,800,741	1,809,202	1,806,868	1,796,938

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

	Monthly Average FX rates
USD	1,488,240
CHF	1,187,297
GBP	2,718,861
JPY	13,573
EUR	1,806,598

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Information on the foreign currency risk of the Group:

Current Period	EUR	USD	YEN	OTHER FC	TOTAL
Assets					
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	50,000	632,925	5	7,415	690,345
Due from other banks and financial institutions	119,895	682,435	3,126	18,254	823,710
Trading securities	2,504	12,539	-	341	15,384
Money market placements	-	63,679	-	-	63,679
Investment securities available-for-sale	-	83,551	-	-	83,551
Loans (**)	285,763	1,089,658	-	15,822	1,391,243
Investments in associates and subsidiaries	-	-	-	-	-
Investment securities held-to-maturity	-	7,260	-	-	7,260
Property and equipment	7,756	-	-	-	7,756
Goodwill	-	-	-	-	-
Other assets (**)	141,207	72,095	18	9,641	222,961
Total Assets	607,125	2,644,142	3,149	51,473	3,305,889
Liabilities					
Bank deposits	7,048	21,128	12	48,147	76,335
Foreign currency deposits (*)	381,734	1,995,450	2,095	51,804	2,431,083
Money market borrowings	-	-	-	-	-
Funds provided from other financial institutions	120,051	591,516	-	28,159	739,726
Marketable securities issued	-	-	-	-	-
Miscellaneous payables	15,703	6,510	602	764	23,579
Other liabilities(**)	25,764	24,980	17	4,081	54,842
Total liabilities	550,300	2,639,584	2,726	132,955	3,325,565
Net Balance Sheet Position	56,825	4,558	423	(81,482)	(19,676)
Net Off-Balance Sheet Position	(15,933)	11,906	(734)	78,367	73,606
Financial derivative assets	138,488	263,626	1,037	102,186	505,337
Financial derivative liabilities	154,421	251,720	1,771	23,819	431,731
Non-cash loans (***)	298,126	678,973	15,724	39,991	1,032,814
Prior Period					
Total Assets	616,817	2,496,321	249	71,006	3,184,393
Total Liabilities	457,449	2,571,180	1,977	129,082	3,159,688
Net Balance Sheet Position	159,368	(74,859)	(1,728)	(58,076)	24,705
Net Off-Balance Sheet Position	(106,968)	64,490	1,848	54,590	13,960
Non-cash loans (***)	234,810	616,707	10,871	36,295	898,683

(*) Gold account deposits amounting to TL 12,338 (2003 – TL 15,915) are included in the foreign currency deposits.

(**) FX-indexed loans amounting to TL 137,709 (2003– TL 105,379) are included in loans, FX-indexed factoring receivables amounting to TL 5,152 (2003– TL 9,764) are included in other assets and FX-indexed factoring payables amounting to TL 2,034 (2003– TL 3,492) are included in other liabilities in the currency risk table of the Group.

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

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.

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

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

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

	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non-interest bearing	Total
Current Period							
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	726,644	-	-	-	-	75,963	802,607
Due from banks and other financial institutions	1,370,736	8,625	5,131	10,361	-	4,227	1,399,080
Trading securities	1,771	2,201	26,349	3,180	44,179	87	77,767
Securities available-for-sale	39,094	-	-	4,517	113,417	9	157,037
Loans	683,832	462,855	350,578	274,593	214,738	-	1,986,596
Securities held-to-maturity	65,350	-	-	-	7,260	-	72,610
Other assets	46,408	84,729	55,258	48,724	71,454	144,503	451,076
Total Assets	2,933,835	558,410	437,316	341,375	451,048	224,789	4,946,773
Liabilities							
Bank deposits	80,674	36,199	4,875	1,000	-	11,475	134,223
Other deposits	2,080,827	480,182	119,243	107,306	40,911	538,115	3,366,584
Miscellaneous payables	325	86	-	-	-	43,576	43,987
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	290,181	125,327	222,998	71,047	107,524	-	817,077
Other liabilities	16,082	43,346	2,628	-	-	522,846	584,902
Total Liabilities	2,468,089	685,140	349,744	179,353	148,435	1,116,012	4,946,773
Balance Sheet Interest Sensitivity Gap	465,746	(126,730)	87,572	162,022	302,613	(891,223)	-
Off Balance Sheet Interest Sensitivity Gap	(80)	(56)	-	-	-	-	(136)
Total Interest Sensitivity Gap	465,826	(126,786)	87,572	162,022	302,613	(891,223)	(136)

The other asset line at the non-interest bearing column consists of TL 52,373 amount tangible fixed assets, TL 4,529 of intangible fixed assets, TL 41,953 of accrued interest and income receivables, TL 414 of participations and TL 616 of subsidiaries and the other liability line consists of equity with a total amounting of TL 349,871 and minority interest amounting to TL 23,051.

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	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non-interest bearing	Total
Prior Period							
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	715,901	-	-	-	-	71,202	787,103
Due from Banks and other financial institutions	986,261	3,844	9,195	6,791	-	361,311	1,367,402
Trading securities	25,796	3,293	4,720	3,771	17,465	-	55,045
Securities available-for-sale	-	-	-	-	-	10	10
Loans	612,181	390,029	335,231	267,942	188,653	56,167	1,850,203
Securities held-to-maturity	48,524	40,717	4,950	123	4,581	0	98,895
Other assets	29,051	130,294	43,076	52,090	71,295	151,759	477,565
Total Assets	2,417,714	568,177	397,172	330,717	281,994	640,449	4,636,223
Liabilities							
Bank deposits	86,910	46,038	7,794	4,325	-	19,132	164,199
Other deposits	2,240,358	374,717	125,512	162,943	89,542	147,019	3,140,091
Miscellaneous payables	2,980	-	-	-	-	36,476	39,456
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	299,139	79,393	190,834	86,257	5,499	-	661,122
Other liabilities	20,049	72,899	7,165	1,798	629	528,815	631,355
Total Liabilities	2,649,436	573,047	331,305	255,323	95,670	731,442	4,636,223
Balance Sheet Interest Sensitivity Gap	(231,722)	(4,870)	65,867	75,394	186,324	(90,993)	-
Off Balance Sheet Interest Sensitivity Gap	-	-	(58)	-	-	-	(58)
Total Interest Sensitivity Gap	(231,722)	(4,870)	65,809	75,394	186,324	(90,993)	(58)

The other assets line at the non-interest bearing column consists tangible fixed assets amounting to TL 52,348, intangible fixed assets amounting to TL 4,311, accrued interest and income receivables amounting to TL 40,938, participations amounting to TL 414 and subsidiaries amounting to TL 550 and the other liability line consists of equity amounting to TL 346,543 and minority interest amounting to TL 26,900.

Average interest rates applied to monetary financial instruments:

	EURO %	USD %	GBP %	TL %
Current Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	0.91	0.48	-	14.00
Due from banks and other financial institutions	4.53	2.95	-	24.30
Trading securities	7.96	9.5	-	25.69
Money market placements	-	0.92	-	22.10
Securities available-for-sale	-	8.50	-	25.50
Leasing receivables	11.65	11.15	-	47.65
Factoring receivables	7.05	6.19	-	30.31
Loans	4.99	4.44	-	26.80
Securities held-to-maturity	-	-	-	30.85
Liabilities				
Bank deposits	2.04	2.04	-	22.75
Other deposits	2.92	2.52	-	23.51
Miscellaneous payables	-	-	-	19.30
Money market placements	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	4.62	3.40	-	21.65

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	EURO %	USD %	GBP %	TL %
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	0.80	0.43	-	16.00
Due from banks and other financial institutions	2.42	0.95	-	26.68
Trading securities	7.87	8.81	-	26.25
Money market placements	-	0.63	-	26.02
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	-	-	-	22.34
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 parent Bank 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.

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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
Assets								
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and Balances with the Central Bank of Turkey	153,026	649,581	-	-	-	-	-	802,607
Due from banks and other financial institutions	84,309	756,596	2,993	5,131	10,361	-	-	859,390
Trading securities	87	818	1,965	26,349	3,668	44,880	-	77,767
Money market placements	-	539,690	-	-	-	-	-	539,690
Securities available-for-sale	9	104	-	-	4,517	152,407	-	157,037
Loans	-	683,831	462,856	350,578	274,593	214,738	-	1,986,596
Securities held-to-maturity	-	-	-	-	-	72,610	-	72,610
Other assets	729	85,013	103,484	54,284	45,660	70,324	91,582	451,076
Total Assets	238,160	2,715,633	571,298	436,342	338,799	554,959	91,582	4,946,773
Liabilities								
Bank deposits	11,557	80,592	36,199	4,875	1,000	-	-	134,223
Other deposits	700,727	1,918,215	480,181	119,243	107,307	40,911	-	3,366,584
Money market borrowings	-	100,702	105,612	318,528	97,107	195,128	-	817,077
Funds provided from other financial institutions	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	5,144	28,476	-	-	-	-	10,367	43,987
Other liabilities	1,098	95,405	51,775	16,119	3,734	1,759	415,012	584,902
Total Liabilities	718,526	2,223,390	673,767	458,765	209,148	237,798	425,379	4,946,773
Net Liquidity Gap	(480,366)	492,243	(102,469)	(22,423)	129,651	317,161	(333,797)	-
Prior Period								
Total Assets	601,495	2,291,151	581,295	399,839	335,554	354,929	71,960	4,636,223
Total Liabilities	756,291	1,904,192	620,096	225,571	488,634	207,771	433,668	4,636,223
Net Liquidity Gap	(154,796)	386,959	(38,801)	174,268	(153,080)	147,158	(361,708)	-

(*) 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.

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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	77,063	-	58,416	-
Unrestricted time deposit	-	481,908	-	497,420
Total	77,063	481,908	58,416	497,420

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

a) Trading securities given as collateral or blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	-	-	-	-
Bond, Treasury Bill and Similar Investment Securities	133	-	-	-
Other	-	-	-	-
Total	133	-	-	-

b) Trading securities subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	14,145	-	16,430	-
Treasury Bills	848	-	-	-
Other Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
Total	14,993	-	16,430	-

As of March 31, 2004, trading securities which are not given as collateral amount to TL 62,641 (2003 - TL 38,615).

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	161,298	-
Quoted in a Stock Exchange	76,459	-
Not Quoted	84,839	-
Share Certificates	9	10
Quoted in a Stock Exchange	-	-
Not Quoted	9	10
Provision for Impairment (-)	(4,270)	-
Total	157,037	10

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- c) Available for sale securities given as collateral or blocked: Marketable securities held to maturity given as collateral consist of public sector debt securities of TL 11,663 (2003-None) given as collateral for regulatory requirements.
- d) Information on investment securities available-for-sale given as collateral or blocked :

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	-	-	-	-
Bond, Treasury Bill and Similar Investment Securities	11,663	-	-	-
Other	-	-	-	-
Total	11,663	-	-	-

- e) Information on investment securities available-for-sale subject to repurchase agreements: None.

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	58,344	2,596	70,188	1,456
Corporate Shareholders (*)	58,344	2,596	70,188	1,456
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	1,258	16	1,090	15
Total	59,602	2,612	71,278	1,471

(*) Loans granted to corporate shareholders amounting to TL 57,511 (2003-TL 69,424) 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	1,973,175	-	2,078	11,343
Discount Notes	61,303	-	-	-
Export Loans	639,968	-	-	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	188,962	-	-	-
Foreign Loans	90,490	-	-	-
Consumer Loans	65,533	-	-	-
Credit Cards	18,999	-	-	-
Precious Metals Loans	10,964	-	433	-
Other	896,956	-	1,645	11,343
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	1,973,175	-	2,078	11,343

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c) Information on consumer loans:

	Short Term	Medium and Long Term	Total	Interest Income Accrual
Consumer loans-TL	16,392	27,318	43,710	973
Real estate Loans	278	4,686	4,964	73
Automotive Loans	2,133	13,567	15,700	213
Consumer Loans	-	-	-	-
Personnel Loans	655	564	1,219	30
Other Consumer Loans	13,326	8,501	21,827	657
Consumer Loans- Indexed to FC	11,812	10,011	21,823	82
Real Estate Loans	4,288	-	4,288	24
Automotive Loans	768	8,467	9,235	55
Consumer Loans	140	290	430	3
Personnel Loan	7	32	39	-
Other Consumer Loans	6,609	1,222	7,831	-
Credit Cards	18,999	-	18,999	131
Total Consumer Loans	47,203	37,329	84,532	1,186

d) Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	1,836,372	1,663,397
Foreign Loans	150,224	186,806
Total	1,986,596	1,850,203

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	308	138
Loans and Receivables With Doubtful Collectibility	417	1,598
Uncollectible Loans and Receivables	9,201	15,505
Total	9,926	17,241

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	-	-	8,358

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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	2,474	3,573	20,354
Additions (+)	6,569	206	56
Transfers from Other Categories of Loans Under Follow-up (+)	-	3,709	2,949
Transfers to Other Categories of Loans Under Follow-up (-)	3,710	2,949	-
Collections (-)	667	1,520	8,282(*)
Write-offs (-)	-	-	-
Index Differences (-)	182	260	1,480
Current Period end Balance	4,484	2,759	13,597
Specific Provisions (-)	308	417	9,201
Net Balances on Balance Sheet	4,176	2,342	4,396

(*) 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 6,881 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	72,610	98,895
Quoted in a Stock Exchange	72,610	94,314
Not Quoted	-	4,581
Provision for Impairment (-)	-	-
Total	72,610	98,895

b) Movement of held to maturity portfolio:

	Current Period	Prior Period
Beginning Balance	98,895	48,819
Effect of Inflation (-)	6,519	6,148
Foreign Currency Differences on Monetary Assets	147	-
Purchases During Year	26,991	60,303
Disposals Through Sales and Redemptions	(46,904)	(4,079)
Impairment Provision	-	-
Closing Balances	72,610	98,895

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

	Current Period				Prior Period			
	Historical Cost		Valuation		Historical Cost		Valuation	
	TL	FC	TL	FC	TL	FC	TL	FC
Held to Maturity Portfolio								
Given as Collateral or Blocked	65,350	-	68,409	-	91,019	1,410	91,334	1,496
Subject to Repo Transactions	-	-	-	-	-	-	-	-
Held for Structural Position	-	-	-	-	-	-	-	-
Receivables From Securities Lending	-	-	-	-	-	-	-	-
Other (*)	-	-	-	-	-	-	-	-
Collaterals on Securities Lending	-	7,260	-	7,321	1,885	4,581	1,953	4,624
Closing Balances	65,350	7,260	68,409	7,321	92,904	5,991	93,287	6,120

(*) 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 65,350 (2003 - TL 92,429), given as collateral for regulatory requirements.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	-	-	-	-
Bonds and Similar Investment Securities	65,350	-	91,019	1,410
Other	-	-	-	-
Total	65,350	-	91,019	1,410

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

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

6. Information on participations (Net):

a.1) Information on unconsolidated participations :

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

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

Total Assets	Total Equity	Total Fixed Assets	Interest Income	Marketable Securities Income	Current Period Income/Loss	Prior Period Income/Loss	Fair Value
1,683	1,645	7	14	-	(325)	6	1,761

(*) The financial statements of Varlik Yatirim Ortakligi A.S. are prepared in accordance with the Capital Market Board Regulations. The current period data is presented as of June 30, 2004 and the prior period income / loss amounts are presented with their nominal values as of June 30, 2003.

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

b) Information on the consolidated participations:

b.1) Information on the consolidated participations:

	Current Period	Prior Period
Balance at the Beginning of the Period	10,187	6,555
Movements During the Period	(10,187)	3,632
Purchases	-	3,632
Free Shares Obtained Profit from Current Year's Share	-	-
Dividends from Current Year Income	-	-
Sales (*)	(10,187)	-
Revaluation Increase	-	-
Provision for Impairment	-	-
Balance at the end of the Period	-	10,187
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.

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

	Current Period	Prior Period
Valuation With Cost	-	10,187
Valuation With Fair Value	-	-
Valuation With Equity Method	-	-
Total	-	10,187

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

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

Participations	Current Period	Prior Period
Insurance Companies/TEB Sigorta	-	10,187
Total	-	10,187

- b.4) Investments which are quoted to a stock exchange: None.
- b.5) Information related to investments that are included in consolidation: None.
- b.6) Information on consolidated investments which are sold in current period : None.
- b.7) Consolidated investments purchased in the current period: None.

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7. Information on Subsidiaries (Net):

a) Information on unconsolidated subsidiaries:

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

a.1) Information on unconsolidated subsidiaries:

Description	Address(City/ Country)	Group's share percentage-If different voting percentage(%)	Group's risk group share percentage (%)
TEB Kiyetli Madenler	Istanbul/Turkey	66.00	73.09

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

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair Value
190	168	-	-	-	(17)	(68)	-

(*)The current period data is presented as of June 30, 2004 and the prior period income / loss amounts are presented with their nominal values as of June 30, 2003.

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b) Information on the consolidated subsidiaries.

b.1) Information on the consolidated subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	144,481	137,414
Movements During the Period	7,017	7,067
Purchases(*)	12,724	154
Free Shares Obtained Profit from Current Year's Share	-	12,733
Dividends from Current Year Income	-	-
Sales	(54)	-
Revaluation Increase (**)	(3,153)	(5,820)
Provision for Impairment	(2,500)	-
Balance at the end of the Period	151,498	144,481
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

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

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

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

b.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	151,498	144,481
Valuation With Fair Value	-	-
Valuation With Equity Method	-	-

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

	Current Period	Prior Period
Banks / Economy Bank	53,908	57,016
Other Financial Sub. / Petek International	809	854
TEB Yatirim	32,999	32,999
TEB Portfoy Yonetimi	3,511	3,565
Leasing Companies / TEB Leasing	30,894	30,894
Factoring Companies / TEB Factoring	19,153	19,153
Insurance Companies / TEB Sigorta	10,224	-
Total	151,498	144,481

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

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

Description	Address (City / Country))	Group's share percentage- If different voting percentage(%)	Group's risk group share percentage (%)	Method of Consolidation
Economy Bank	Netherlands	100.00	100.00	Full
Petek International	Netherlands	100.00	100.00	Full
TEB Yatirim	Istanbul/Turkey	74.80	92.87	Full
TEB Portfoy	Istanbul/Turkey	46.77	79.68	Full
TEB Leasing	Istanbul/Turkey	68.76	73.29	Full
TEB Factoring	Istanbul/Turkey	69.40	73.51	Full
TEB Sigorta	Istanbul/Turkey	50.00	73.27	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)	1,790	1,750	-	-	-	(44)	(54)	-
(ii)	24,564	21,423	823	901	-	762	1,088	-
(ii)	7,316	6,647	607	274	267	1,870	846	-
(iv)	310,870	90,659	105,727	1,854	-	10,962	24,839	-
(iv)	103,481	13,295	109	94	-	988	1,550	-
(iii)	39,298	4,755	4,131	213	-	(4,605)	(2,951)	-
(i)	1,790	1,750	-	-	-	(44)	(54)	-

(*) 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: None.

8. Information on financial lease receivables (Net):

a) Aging of leasing receivables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	110,916	98,010	109,698	96,102
Between 1-4 years	65,827	59,795	72,080	65,836
Over 4 years	2,000	1,902	19	-
Total	178,743	159,707	181,797	161,938

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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	277	3	368	-
Interest Accruals - Not Due	17,092	8,345	10,148	8,681
Loan Commissions and Other Income Accruals - Due	-	-	-	-
Loan Commissions and Other Income Accruals - Not Due	18	8	22	6
Total	17,387	8,356	10,538	8,687

b) Information on other interest and income accruals:

Other Interest and Income Accruals	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	1,378	106	1,213	406
Securities Available for Sale	232	306	-	-
Securities Held to Maturity	3,563	61	1,735	128
Interest Accruals of Reverse Repo Transactions	9	-	1	-
Interest Accruals of Reserve Deposits	1,674	186	1,639	171
Income Accruals of Financial Derivative Instruments	2,990	3,351	1,239	3,515
Interest and Income Accruals	-	1,777	8	17
Income Accrual of Foreign Exchange Gains	2,990	1,574	1,231	3,498
Income Accruals from Factoring Income	42	1,454	27	1,386
Other	2,180	410	10,027	226
Total	12,068	5,874	15,881	5,832

10. Information on other assets:

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

	Current Period	Prior Period
Deferred Tax	2,818	5,440
Advances Given	1,778	19
Prepaid Rent Expenses	523	557
Transaction Cost Related to Financial Liabilities	1,689	2,280
Prepaid Taxes	15,377	35,660
Financial Lease Agreements in Progress	7,797	5,019
Premium Receivable	13,620	20,879
Receivables from Fund Participation Certificates	4,027	1,696
Other	15,254	9,423
Total	62,883	80,973

b) The deferred tax asset computed within the prevailing regulations amounts to TL 2,818. There are no carried tax losses over which deferred tax asset computed.

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

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II- Footnotes and Explanations Related to the 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	51,204	-	138,886	173,684	87,183	10,694	21,255
Foreign Currency Deposits	464,817	-	1,173,280	567,151	73,581	93,795	46,121
Residents in Turkey	380,293	-	711,929	476,464	50,123	45,889	26,174
Residents Abroad	84,524	-	461,351	90,687	23,458	47,906	19,947
Public Sector Deposits	63,055	-	-	-	-	-	-
Commercial Deposits	79,868	-	108,193	74,118	5,483	70,503	2,020
Other Institutions Deposits	40,234	-	5,068	4,045	6	2	-
Precious Metals Deposits	1,712	-	5,736	4,890	-	-	-
Interbank Deposits	28,873	-	15,811	62,728	19,063	7,748	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	93	-	10	-	-	1,000	-
Foreign Banks	20,754	-	15,801	62,728	19,063	6,748	-
Special Finance Houses	8,026	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total	729,763	-	1,446,974	886,616	185,316	182,742	69,396

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	34,936	-	96,316	69,179	68,849	29,330	16,918
Foreign Currency Deposits	427,620	-	1,529,666	368,015	43,952	21,563	16,449
Residents in Turkey	404,420	-	585,411	359,833	42,376	20,631	15,654
Residents Abroad	23,200	-	944,255	8,182	1,576	932	795
Public Sector Deposits	112	-	-	-	-	-	-
Commercial Deposits	76,797	-	124,645	41,432	49,256	63,146	433
Other Institutions Deposits	39,512	-	1,635	2,841	1,573	1	-
Precious Metals Deposits	4,834	-	-	11,081	-	-	-
Interbank Deposits	30,062	-	36,453	58,463	28,615	10,606	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	97	-	-	-	-	-	-
Foreign Banks	15,244	-	36,453	58,463	28,615	10,606	-
Special Finance Houses	14,721	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total	613,873	-	1,788,715	551,011	192,245	124,646	33,800

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	432,724	290,851	-	-
Foreign Currency Saving Deposits	872,150	868,208	-	-
Other Deposits in the form of Saving Deposits	959	1,228	-	-
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Off-shore Banking Regions' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Total	1,305,833	1,160,287	-	-

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In accordance with the BRSA legislation published in the Official Gazette No. 25157 at July 3, 2003, all saving deposits are taken under the guarantee of Saving Deposits Insurance Fund until July 5, 2004. After July 5, 2004 the saving deposits up to fifty billion Turkish Lira were taken 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	12,426	27,277
Total	12,426	27,277

(*) In addition to the disclosed amount above, there are also saving deposits amounting to TL 181,615 (2003-141,976) 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	14,931	-	16,675	-
Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	9,505	-	10,428	-
Real Persons	5,426	-	6,247	-
From Foreign Transactions	10	-	2	-
Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Real Persons	10	-	2	-
Total	14,941	-	16,677	-

3. a) Information on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	77,351	530,893	73,444	475,352
Medium and Long-term	-	186,619	-	89,727
Total	77,351	717,512	73,444	565,079

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	312	212

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

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7. a) There are no deferred tax liability computed within prevailing regulations.
- b) Other assets and liabilities which exceed 10 % of the balance sheet total (excluding off-balance sheet commitments) and breakdown of these which constitute at least 20% of grand total: None

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	23,467	4,281	13,536	6,009
Accrued Interest on Funds Borrowed	2,273	6,526	2,637	4,510
Accrued Interest on Bonds	-	-	-	-
Accrued Interest on Repurchase Agreement Transactions	10	-	15	-
Accrued Interest on Derivative Financial Instruments	1,915	4,538	3,350	4,342
Accrued Interest and Expense	-	1,862	-	37
Foreign Exchange Losses Accrued	1,915	2,676	3,350	4,305
Accrued interest on factoring payables	-	-	-	-
Other Interest and Expense Accruals	2,437	1,507	6,657	1,615
Total	30,102	16,852	26,195	16,476

10. **Provisions and subordinated loans:**

- a) Information on general provisions:

	Current Period	Prior Period
General provisions	9,377	8,528
Provisions for First Group Loans and Receivables	7,869	7,153
Provisions for Second Group Loans and Receivables	56	22
Provisions for Non Cash Loans	1,452	1,353
Others	-	-
Total	9,377	8,528

- 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	-	22,214	-	22,599
Total	-	22,214	-	22,599

- d) The foreign exchange losses on the foreign currency indexed loans amounting to TL 2,741 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 85.

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11. Information of Shareholders' Equity:

- a) Presentation of paid-in capital:

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

- b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable to the 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 622 (nominal value of TL 2,675) has been classified in the revaluation fund to be added to share capital. This amount has been added to share capital in the current period.

- e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments : None.
- f) Indicators of the 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	-	-
Total Common Stock Issue	115,600,000	110,250,000

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

Name/Commercial title	Amounts	Share Percentage	Paid-in capital	Unpaid portion
TEB Mali Yatirimlar	48,685	84.23%	48,685	-

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 84.23 % from 70.17%.

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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 18,080 (30 June 2003 - TL 23,034) includes financial lease interest income amounting to TL 9,876 (30 June 2003 - TL 15,022) and factoring interest income amounting to TL 6,210 (30 June 2003 - TL 7,398).

The total other fees and commissions received amounting to TL 28,251 (30 June 2003 - TL 19,061) majorly consists of credit card fees and commissions amounting to TL 2,608 (30 June 2003 - TL 3,849) and brokerage commissions amounting to TL 7,882 (30 June 2003 - TL 4,692). Other fees and commission expense totaling to TL 8,324 (30 June 2003 - TL 7,861) majorly consists of fees and commissions paid for the credit cards amount to TL 3,447 (30 June 2003 - TL 3,764).

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	9,876	15,022

c) Interest received from reverse repurchase agreement transactions: None

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Received from Reverse Repurchase Agreement Transactions	819	-	589	-

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	286	8,674	-	-	-	-	8,960
Saving deposits	1,987	12,532	11,647	9,898	4,653	3,837	44,554
Public sector deposits	-	-	47	-	-	-	47
Commercial deposits	1,538	9,543	5,612	4,295	11,560	181	32,729
Other deposits	17	593	24	105	-	-	739
7 days call accounts	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-
Total	3,828	31,342	17,330	14,298	16,213	4,018	87,029
Foreign Currency							
Foreign currency deposits (*)	314	6,624	6,973	1,740	190	5,108	20,949
Bank deposits	40	1,153	34	-	-	-	1,227
7 days call accounts	-	-	-	-	-	-	-
Precious metal deposits	-	3	71	-	-	-	74
Total	354	7,780	7,078	1,740	190	5,108	22,250
Total	4,182	39,122	24,408	16,038	16,403	9,126	109,279

(*) Interest expense on foreign currency deposits includes TL 2,306 foreign currency saving deposits and TL 7,720 commercial deposits.

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- d) Interest expense on repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on Repurchase Agreements	4,848	-	10,933	-

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 11,955 includes reversal of a provision amounting to TL 6,881 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	2,407	673
III. Group	336	164
IV. Group	375	207
V. Group	1,696	302
General provision expenses	2,145	1,852
Provision expenses for possible losses	-	-
Foreign exchange differences on foreign currency losses	3,256	-
Provision for impairment – marketable securities	2,037	32
Trading securities	251	32
Investment securities available for sale	1,786	-
Provision for impairment	-	-
Investment and Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Investment securities held to maturity	-	-
Other	375	824
Total	10,220	3,381

- 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, Note VI.

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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	353	(1,006)

- 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.**

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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 June 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 June 30, 2004 and December 31, 2003, credit card spending limit commitments are TL 117,656 and TL 115,888, 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 June 30, 2004 total guarantees and commitments consist of letter of guarantees amounting to TL 863,493 (2003 – TL 790,247), acceptances amounting to TL 50,864 (2003 – TL 52,461), and letters of credit amounting to TL 554,297 (2003 – TL 465,733).

b.2) Guarantees, surety ships and similar transactions : The Group has other commitments and contingencies amounting TL 2,616 (2003 – TL 862) other than the ones explained in article b.1).

3.a) Non-cash loans:

	Current Period	Prior Period
Guarantees Given Against Cash Loans	84,287	81,410
With Maturity of 1 Year or Less than 1 Year	14,518	18,430
With Maturity of More than 1 Year	69,769	62,980
Other Non-Cash Loans	1,386,983	1,227,893
Total	1,471,270	1,309,303

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

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

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

Moody's Investor Services: March 2004

Bank Financial Strength	D+
Long Term FX Deposits	B3

Fitch Ratings: February 2004

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

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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:

Beginning of the year	Current Period 30.06.2004	Prior Period 30.06.2003
Cash	71,125	106,919
Cash equivalents	1,906,320	2,190,132
End of the year	Current Period 30.06.2004	Prior Period 30.06.2003
Cash	75,919	79,140
Cash equivalents	1,939,606	1,717,537

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.

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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:

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	-	-	70,188	1,456	2,938	4,986
Balance at end of Period	-	-	58,344	2,596	95	9,605
Interest and Commission Income	-	-	2,432	1	9	7

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	-	-	124,418	8,292	12,511	5,388
Balance at end of Period	-	-	70,188	1,456	2,938	4,986
Interest and Commission Income	-	-	420	4	1,882	33

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	-	-	179,235	230,562	734,302	952,347
Balance at end of Period	-	-	233,911	179,235	718,578	734,302
Interest on Deposits	-	-	864	2,803	6,669	7,032

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	-	-	24,371	53,365	36,594	30,169
End of Period	-	-	24,340	24,371	92,516	36,594
Total Income/Loss	-	-	88	(534)	2,382	803
Hedging Transactions Purposes						
Beginning of Period	-	-	-	-	-	-
End of Period	-	-	-	-	-	-
Total Income/Loss	-	-	(115)	(135)	(100)	816

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

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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	952,489	27.21%
Forward Transactions and Option Agreements	116,856	10.94%
Cash Loans	58,439	2.94%
Noncash Loans	12,201	0.83%

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 amounted to TL 4,699. 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 1.95%. Amounts of these loans are explained in the Note V-1a.

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

As of June 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.

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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 June 30, 2004 based on the wholesale price indices announced by the State Institute of Statistics, the cumulative three-year inflation rate in Turkey is 110%.

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.

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

	Index	Conversion Factors
31 Aralik 2003	7,382.1	1.081
31 Aralik 2002	6,478.8	1.232
31 Aralik 2001	4,951.7	1.612
30 Haziran 2004	7,982.7	1.000
30 Haziran 2003	7,222.2	1.105

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

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

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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) As of July 1, 2004 retirement pay liability ceiling was increased to TL 1.575
- a.2) On July 12, 2004, TEB Mali Yatirimlar signed a memorandum of understanding with BNP Paribas was foreseeing a partnership in which the parties would have equal rights through a sale of 50 % of the shares of TEB Mali Yatirimlar to BNP Paribas. Accordingly, due diligence work stated was.
- a.3) In the Board of Directors Meeting of the Parent Bank dated July 16, 2004 , it was decided to increase shareholding percentage of TEB Finansal Kiralama A.S. and TEB Factoring A.S. to 100 % which were formerly 68.76 % and 69.40 % respectively.
- a.4) In the Board of Directors Meeting of the Parent Bank dated July 23, 2004, it was decided to sell the shares of TEB Kiyetli Madenler A.S. held by the Bank with a shareholding percentage of 66 % to TEB Mali Yatirimlar.
- a.5) In the Board of Directors Meeting of TEB Yatirim Menkul Degerler A.S. held at August 2, 2004, it was decided to purchase all the shares of Varlik Yatirim Ortakligi A.S. owned by the Bank at the Istanbul Stock Exchange Wholesale Market.
- a.6) In the Board of Directors Meeting of the Parent Bank dated August 26, 2004, it was decided to sell the shares of TEB Sigorta A.S. held by the Bank with a shareholding percentage of 50 % to TEB Mali Yatirimlar.
- 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.

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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 August 26, 2004, is presented preceding the consolidated interim financial statements.