

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

# **Tekstil Bankası Anonim Şirketi**

**Consolidated Financial Statements  
For the Interim Period Ended June 30, 2003  
Together With Review Report**

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS  
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**TEKSTİL BANKASI ANONİM ŞİRKETİ  
REVIEW REPORT AS OF JUNE 30, 2003**

To the Board of Directors of Tekstil Bankası Anonim Şirketi

We have reviewed the consolidated balance sheet of Tekstil Bankası Anonim Şirketi as of June 30, 2003 and the related consolidated statements of income, 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, 2003. 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 of Tekstil Bankası Anonim Şirketi at June 30, 2003 are not presented fairly, in all material respects, in accordance with the accounting principles and standards that are based on the Article 13 of the Banking Law number 4389.

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

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

Güney Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
An Affiliated Firm of Ernst & Young International

Esra Peri, SMMM  
Licensed Auditor

August 20, 2003  
Istanbul, Turkey

**(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS  
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AS OF JUNE 30, 2003, REVIEWED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES TO BE ANNOUNCED TO PUBLIC TOGETHER WITH INDEPENDENT LIMITED REVIEW REPORT THEREON

Adress : Büyükdere Caddesi No :63  
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Fax : +90 0212 328 13 28

E-Mail : www.tekstilbank.com.tr

The Reporting Package prepared in accordance with Statement No.17 "Financial Statements and Related Disclosures and Footnotes to be Announced to Public" as promulgated by Banking Regulation and Supervision Agency (BRSA), is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE PARENT COMPANY (THE BANK)
- CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- FINANCIAL POSITIONS AND RESULTS OF OPERATIONS OF THE GROUP
- DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- THE EXPLANATIONS ON THE INDEPENDENT LIMITED REVIEW REPORT

**The consolidated subsidiaries are as follows :**

1. Tekstil Menkul Değerler A.Ş.
2. The EuroTextile Bank Offshore Ltd.

The consolidated interim financial statements and the explanatory footnotes and disclosures which are prepared in billions of Turkish Lira, unless otherwise indicated are restated to the purchasing power of Turkish Lira as of June 30, 2003, have been independently reviewed and presented below in accordance with the Regulation on Accounting Practice related communiqués and the Bank's records.

Akgün Türer  
Member of Board of Directors  
Responsible from the  
Internal Control System

Çim Güzelaydını  
General Manager

Esra Akçalı  
Executive Vice  
President

Nuriye Gönül  
Senior Vice  
President

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**SECTION ONE**

**GENERAL INFORMATION**

**I- Footnotes and Explanations on the Parent Company (the Bank)'s Service Activities and Operating Areas**

- a) Commercial name of the Bank : Tekstil Bankası Anonim Şirketi (the Bank)  
Reporting period : 1 January – 30 June 2003  
Address of the head office : Büyükdere Caddesi no: 63 34398 Maslak - İstanbul  
Telephone number : (+90212) 335 53 35  
Facsimile number : (+90212) 328 13 28  
Web page : [www.tekstilbank.com.tr](http://www.tekstilbank.com.tr)  
E-mail address : [www.tekstilbank.com.tr](http://www.tekstilbank.com.tr)
- b) The Parent Bank's service activities and operating areas : The Parent Bank's operating areas include, corporate banking, fund management operations, retail banking and credit card operations.
- c) The consolidated financial statements and relevant explanations together with the footnotes are stated in billions of Turkish Lira.

**II. The Explanations and Footnotes Related to the Risk Group of the Parent Company (the Bank)**

The Including Group of the Parent Bank : Tekstil Bankası Anonim Şirketi, (the Bank) is included in the GSD Group. The 74.79% of the shares of the Bank belong to GSD Holding Anonim Şirketi (Giyim Sanayicileri Derneği – GSD Holding).

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

- a) Accounting principles and basis of valuation used in the preparation of year-end consolidated financial statements are also used for the preparation of consolidated interim financial statements without any changes or exceptions and are summarized in Section Three below.
- b) There are no transactions realized in the interim period that display a seasonal or periodical nature.
- c) There are no non – recurring transactions or basic accounting misstatements.
- d) There are no extraordinary items in terms of nature or amount that effect the assets, liabilities, equity, net income or the cash flow of the Bank.
- e) Prior period interim consolidated 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 consolidated financial statements that are recorded with their estimated value.
- f) There are no convertible bonds or any other debt securities issued during the current period.
- g) The Bank did not distribute any dividends to its shareholders in the current period.
- h) There are no subsequent events that occurred after the preparation date of the interim consolidated financial statements which have a material impact on the consolidated interim financial statements.
- i) There are no transactions that may cause a structural change for the Group such as restructuring, mergers and acquisitions or discontinue of any operations.
- j) There are no changes in the commitments and contingencies of the Bank that have arisen subsequent to the year-end balance sheet date.

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## **SECTION TWO**

### **CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

(CONVENIENCE TRANSLATION OF A REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
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**TEKSTIL BANKASI A.S.**  
**CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2003 AND DECEMBER 31, 2002**  
**(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

**I- CONSOLIDATED BALANCE SHEET – ASSETS**

	Notes (Section 5)	Reviewed			Audited		
		CURRENT PERIOD			PRIOR PERIOD		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY</b>		<b>4,223</b>	<b>3,525</b>	<b>7,748</b>	<b>2,705</b>	<b>7,593</b>	<b>10,298</b>
1.1 Cash in TL		3,883	-	3,883	2,620	-	2,620
1.2 Cash in foreign currency		-	3,513	3,513	-	7,526	7,526
1.3 Balances with the Central Bank of Turkey	I-1	340	12	352	85	67	152
<b>II. TRADING SECURITIES (Net)</b>	I-2	<b>60,338</b>	<b>21,749</b>	<b>82,087</b>	<b>20,076</b>	<b>126,178</b>	<b>146,254</b>
2.1 Public sector debt securities		58,560	21,749	80,309	18,219	126,178	144,397
2.1.1 Government bonds		28,944	20,532	49,476	8,761	124,748	133,509
2.1.2 Treasury bills		29,616	-	29,616	9,458	-	9,458
2.1.3 Other		-	1,217	1,217	-	1,430	1,430
2.2 Share certificates		1,778	-	1,778	1,754	-	1,754
2.3 Other securities		-	-	-	103	-	103
<b>III. BANKS AND OTHER FINANCIAL INSTITUTIONS</b>		<b>1</b>	<b>5,874</b>	<b>5,875</b>	<b>9,043</b>	<b>6,286</b>	<b>15,329</b>
3.1 Due from banks		1	5,874	5,875	9,043	6,286	15,329
3.1.1 Domestic banks		1	3,816	3,817	9,043	3	9,046
3.1.2 Foreign banks		-	2,058	2,058	-	6,283	6,283
3.2 Other financial institutions		-	-	-	-	-	-
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-	-	<b>23,098</b>	<b>23,098</b>
4.1 Interbank money market placements		-	-	-	-	23,098	23,098
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
<b>V. SECURITIES AVAILABLE FOR SALE (Net)</b>	I-3	-	-	-	-	-	-
5.1 Share certificates		-	-	-	-	-	-
5.2 Other marketable securities		-	-	-	-	-	-
<b>VI. LOANS</b>		<b>309,271</b>	<b>167,169</b>	<b>476,440</b>	<b>214,926</b>	<b>159,639</b>	<b>374,565</b>
6.1 Short term	I-4	301,860	147,277	449,137	205,405	143,495	348,900
6.2 Medium and long term	I-4	4,036	19,873	23,909	5,670	16,123	21,793
6.3 Loans under follow-up	I-4	5,368	19	5,387	6,986	1,591	8,577
6.4 Specific provisions (-)	I-4	1,993	-	1,993	3,135	1,570	4,705
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. SECURITIES HELD TO MATURITY (Net)</b>	I-5	<b>73,621</b>	<b>227,903</b>	<b>301,524</b>	<b>97,792</b>	<b>292,111</b>	<b>389,903</b>
8.1 Public sector debt securities		73,621	227,903	301,524	97,792	292,111	389,903
8.1.1 Government bonds		73,411	227,903	301,314	97,558	292,111	389,669
8.1.2 Treasury bills		210	-	210	234	-	234
8.1.3 Other		-	-	-	-	-	-
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. INVESTMENTS AND ASSOCIATES (Net)</b>		-	-	-	-	-	-
9.1 Financial investments and associates	I-6	-	-	-	-	-	-
9.2 Non-Financial investments and associates	I-6	-	-	-	-	-	-
<b>X. SUBSIDIARIES (Net)</b>		<b>63</b>	-	<b>63</b>	<b>63</b>	-	<b>63</b>
10.1 Financial subsidiaries	I-7	-	-	-	-	-	-
10.2 Non-Financial subsidiaries	I-7	63	-	63	63	-	63
<b>XI. OTHER INVESTMENTS (Net)</b>		-	-	-	-	-	-
<b>XII. FINANCE LEASE RECEIVABLES (Net)</b>	I-8	-	-	-	-	-	-
12.1 Gross finance lease receivables		-	-	-	-	-	-
12.2 Unearned income (-)		-	-	-	-	-	-
<b>XIII. RESERVE DEPOSITS</b>		<b>8,232</b>	<b>70,241</b>	<b>78,473</b>	<b>12,214</b>	<b>62,670</b>	<b>74,884</b>
<b>XIV. MISCELLANEOUS RECEIVABLES</b>		<b>631</b>	<b>5,171</b>	<b>5,802</b>	<b>405</b>	<b>307</b>	<b>712</b>
<b>XV. ACCRUED INTEREST AND INCOME RECEIVABLES</b>		<b>23,306</b>	<b>4,344</b>	<b>27,650</b>	<b>45,215</b>	<b>11,115</b>	<b>56,330</b>
15.1 Loans	I-9	6,917	1,662	8,579	6,475	2,521	8,996
15.2 Marketable securities	I-9	10,783	2,567	13,350	28,211	8,431	36,642
15.3 Other	I-9	5,606	115	5,721	10,529	163	10,692
<b>XVI. PROPERTY AND EQUIPMENT (Net)</b>		<b>70,073</b>	<b>5</b>	<b>70,078</b>	<b>73,614</b>	<b>9</b>	<b>73,623</b>
16.1 Book value.		112,595	67	112,662	116,432	86	116,518
16.2 Accumulated depreciation (-)		42,522	62	42,584	42,818	77	42,895
<b>XVII. INTANGIBLE ASSETS (Net)</b>		<b>4,190</b>	-	<b>4,190</b>	<b>4,216</b>	-	<b>4,216</b>
17.1 Goodwill		-	-	-	-	-	-
17.2 Other		10,998	-	10,998	8,977	-	8,977
17.3 Accumulated amortization (-)		6,808	-	6,808	4,761	-	4,761
<b>XVIII. OTHER ASSETS</b>	I-10	<b>47,518</b>	<b>141</b>	<b>47,659</b>	<b>50,033</b>	<b>25</b>	<b>50,058</b>
<b>TOTAL ASSETS</b>		<b>601,467</b>	<b>506,122</b>	<b>1,107,589</b>	<b>530,302</b>	<b>689,031</b>	<b>1,219,333</b>

The accompanying notes are an integral part of these financial statements.

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**TEKSTIL BANKASI A.S.**  
**CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2003 AND DECEMBER 31, 2002**  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

**II- CONSOLIDATED BALANCE SHEET – LIABILITIES**

		Reviewed			Audited		
		CURRENT PERIOD			PRIOR PERIOD		
		30.06.2003			31.12.2002		
	Notes	TL	FC	Total	TL	FC	Total
	(Section 5)						
<b>I.</b>	<b>DEPOSITS</b>	<b>171,900</b>	<b>545,350</b>	<b>717,250</b>	<b>145,213</b>	<b>717,334</b>	<b>862,547</b>
1.1	Bank deposits	36,702	53	36,755	5,018	13,430	18,448
1.2	Saving deposits	69,210	-	69,210	82,422	-	82,422
1.3	Public sector deposits	3,359	-	3,359	36	-	36
1.4	Commercial deposits	52,811	-	52,811	50,922	-	50,922
1.5	Other institutions deposits	9,818	-	9,818	6,815	-	6,815
1.6	Foreign currency deposits	-	545,297	545,297	-	703,904	703,904
1.7	Precious metals deposit accounts	-	-	-	-	-	-
<b>II.</b>	<b>MONEY MARKET BORROWINGS</b>	<b>131,237</b>	<b>-</b>	<b>131,237</b>	<b>93,410</b>	<b>-</b>	<b>93,410</b>
2.1	Interbank money market borrowings	-	-	-	-	-	-
2.2	Istanbul Stock Exchange money market borrowings	25,000	-	25,000	27,870	-	27,870
2.3	Funds provided under repurchase agreements	106,237	-	106,237	65,540	-	65,540
<b>III.</b>	<b>FUNDS BORROWED</b>	<b>17,345</b>	<b>72,541</b>	<b>89,886</b>	<b>13,165</b>	<b>100,739</b>	<b>113,904</b>
3.1	Funds borrowed from the Central Bank of Turkey	-	-	-	-	-	-
3.2	Other funds borrowed	17,345	72,541	89,886	13,165	100,739	113,904
3.2.1	Domestic banks and institutions	15,345	37,374	52,719	13,165	37,442	50,607
3.2.2	Foreign banks, institutions and funds	2,000	35,167	37,167	-	63,297	63,297
<b>IV.</b>	<b>MARKETABLE SECURITIES ISSUED (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1	Bills	-	-	-	-	-	-
4.2	Asset backed securities	-	-	-	-	-	-
4.3	Bonds	-	-	-	-	-	-
<b>V.</b>	<b>FUNDS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VI.</b>	<b>MISCELLANEOUS PAYABLES</b>	<b>2,097</b>	<b>1,513</b>	<b>3,610</b>	<b>1,489</b>	<b>4,657</b>	<b>6,146</b>
<b>VII.</b>	<b>OTHER EXTERNAL RESOURCES</b>	<b>8,345</b>	<b>22,035</b>	<b>30,380</b>	<b>4,452</b>	<b>12,611</b>	<b>17,063</b>
<b>VIII.</b>	<b>TAXES AND OTHER DUTIES PAYABLE</b>	<b>3,657</b>	<b>-</b>	<b>3,657</b>	<b>3,840</b>	<b>2</b>	<b>3,842</b>
<b>IX.</b>	<b>FACTORING PAYABLES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X.</b>	<b>FINANCE LEASE PAYABLES (Net)</b>	<b>-</b>	<b>1,046</b>	<b>1,046</b>	<b>-</b>	<b>1,322</b>	<b>1,322</b>
10.1	Finance lease payables	-	1,122	1,122	-	1,454	1,454
10.2	Deferred finance lease expenses ( - )	-	76	76	-	132	132
<b>XI.</b>	<b>ACCRUED INTEREST AND EXPENSES PAYABLE</b>	<b>17,438</b>	<b>2,259</b>	<b>19,697</b>	<b>7,841</b>	<b>3,507</b>	<b>11,348</b>
11.1	Deposits	773	1,649	2,422	1,246	2,448	3,694
11.2	Borrowings	1,495	596	2,091	1,425	1,028	2,453
11.3	Repurchase agreements	111	-	111	79	-	79
11.4	Other	15,059	14	15,073	5,091	31	5,122
<b>XII.</b>	<b>PROVISIONS</b>	<b>4,453</b>	<b>-</b>	<b>4,453</b>	<b>4,183</b>	<b>-</b>	<b>4,183</b>
12.1	General provisions	2,951	-	2,951	2,503	-	2,503
12.2	Reserve for employee termination benefits	1,156	-	1,156	1,100	-	1,100
12.3	Provisions for income taxes	132	-	132	312	-	312
12.4	Insurance technical reserves (Net)	-	-	-	-	-	-
12.5	Other provisions	214	-	214	268	-	268
<b>XIII.</b>	<b>SUBORDINATED LOANS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIV.</b>	<b>MINORITY INTEREST</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>3</b>	<b>-</b>	<b>3</b>
<b>XV.</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>106,371</b>	<b>-</b>	<b>106,371</b>	<b>105,565</b>	<b>-</b>	<b>105,565</b>
15.1	Paid-in capital	122,500	-	122,500	122,500	-	122,500
15.2	Supplementary capital	-	-	-	-	-	-
15.2.1	Share premium	-	-	-	-	-	-
15.2.2	Share cancellation profits	-	-	-	-	-	-
15.2.3	Marketable securities value increase fund	-	-	-	-	-	-
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	-	-	-	-	-	-
15.3	Profit reserves	1,463	-	1,463	1,165	-	1,165
15.3.1	Legal reserves	1,320	-	1,320	1,320	-	1,320
15.3.2	Status reserves	-	-	-	-	-	-
15.3.3	Extraordinary reserves	-	-	-	-	-	-
15.3.4	Other profit reserves	143	-	143	(155)	-	(155)
15.4	Profit or Loss	(17,592)	-	(17,592)	(18,100)	-	(18,100)
15.4.1	Prior year income/loss	(18,100)	-	(18,100)	(60,737)	-	(60,737)
15.4.1.1	Share of Group	(18,096)	-	(18,096)	(60,737)	-	(60,737)
15.4.1.2	Minority Interest	(4)	-	(4)	-	-	-
15.4.2	Current year income/loss	508	-	508	42,637	-	42,637
15.4.2.1	Share of Group	508	-	508	42,636	-	42,636
15.4.2.2	Minority Interest	-	-	-	1	-	1
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>462,845</b>	<b>644,744</b>	<b>1,107,589</b>	<b>379,161</b>	<b>840,172</b>	<b>1,219,333</b>

The accompanying notes are an integral part of these financial statements.



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

**TEKSTIL BANKASI A.S. CONSOLIDATED STATEMENTS OF INCOME FOR THE INTERIM  
PERIOD ENDED JUNE 30, 2003 AND 2002**  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

**III- CONSOLIDATED INCOME STATEMENTS**

			Reviewed	Not Reviewed
			CURRENT PERIOD	PRIOR PERIOD
			30.06.2003	30.06.2002
INCOME AND EXPENSE ITEMS		Notes (Section 5)	Total	Total
<b>I.</b>	<b>INTEREST INCOME</b>	III-1	<b>58,632</b>	<b>159,959</b>
1.1	Interest on loans		48,293	72,693
1.1.1	Interest on TL loans		42,084	69,191
1.1.1.1	Short term loans		41,647	66,008
1.1.1.2	Medium and long term loans		437	3,183
1.1.2	Interest on foreign currency loans		6,011	3,275
1.1.2.1	Short term loans		5,224	2,989
1.1.2.2	Medium and long term loans		787	286
1.1.3	Interest on loans under follow-up		198	227
1.1.4	Premiums received from Resource Utilisation Support Fund		-	-
1.2	Interest received from reserve deposits		1,038	1,282
1.3	Interest received from banks		242	4,390
1.3.1	The Central Bank of Turkey		21	-
1.3.2	Domestic banks		152	2,775
1.3.3	Foreign banks		69	1,615
1.4	Interest received from money market transactions		223	35,893
1.5	Interest received from marketable securities portfolio		6,648	42,957
1.5.1	Trading securities		3,229	11,314
1.5.2	Available-for-sale securities		-	-
1.5.3	Held to maturity securities		3,419	31,643
1.6	Other interest income		2,188	2,744
<b>II.</b>	<b>INTEREST EXPENSE</b>	III-2	<b>66,713</b>	<b>104,500</b>
2.1	Interest on deposits		37,577	71,543
2.1.1	Bank deposits		2,167	7,786
2.1.2	Saving deposits		16,014	28,107
2.1.3	Public sector deposits		1	17
2.1.4	Commercial deposits		7,542	12,670
2.1.5	Other institutions deposits		111	8
2.1.6	Foreign currency deposits		11,742	22,955
2.1.7	Precious metals vault accounts		-	-
2.2	Interest on money market transactions		4,808	417
2.3	Interest on funds borrowed		5,043	5,672
2.3.1	The Central Bank of Turkey		-	-
2.3.2	Domestic banks		3,758	3,076
2.3.3	Foreign banks		1,285	2,596
2.3.4	Other financial institutions		-	-
2.4	Interest on securities issued		-	-
2.5	Other interest expense		19,285	26,868
<b>III.</b>	<b>NET INTEREST INCOME [ I - II ]</b>		<b>(8,081)</b>	<b>55,459</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME</b>		<b>6,230</b>	<b>6,268</b>
4.1	Fees and commissions received		7,355	7,644
4.1.1	Cash loans		179	779
4.1.2	Non-cash loans		3,200	2,984
4.1.3	Other		3,976	3,881
4.2	Fees and commissions paid		1,125	1,376
4.2.1	Cash loans		1,125	1,340
4.2.2	Non-cash loans		-	36
4.2.3	Other		-	-
<b>V.</b>	<b>DIVIDEND INCOME</b>		-	-
5.1	Trading securities		-	-
5.2	Available-for-sale securities		-	-
<b>VI.</b>	<b>NET TRADING INCOME/LOSS</b>		<b>28,007</b>	<b>3,443</b>
6.1	Profit/losses on trading account securities (Net)		22,767	27,663
6.2	Foreign exchange gains/losses (Net)		5,240	(24,220)
<b>VII.</b>	<b>PROFIT/LOSS FROM HELD TO MATURITY MARKETABLE SECURITIES</b>	III-3	-	-
<b>VIII.</b>	<b>OTHER OPERATING INCOME</b>	III-4	<b>5,420</b>	<b>6,193</b>
<b>IX.</b>	<b>TOTAL OPERATING INCOME</b>		<b>31,576</b>	<b>71,363</b>
<b>X.</b>	<b>PROVISION FOR LOAN LOSSES OR OTHER RECEIVABLES</b>	III-5	<b>664</b>	<b>3,214</b>
<b>XI.</b>	<b>OTHER OPERATING EXPENSES</b>		<b>28,049</b>	<b>40,422</b>
<b>XII.</b>	<b>NET OPERATING INCOME</b>		<b>2,863</b>	<b>27,727</b>
<b>XIII.</b>	<b>PROFIT/LOSSES FROM ASSOCIATES AND SUBSIDIARIES</b>	III-6	-	-
<b>XIV.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		<b>(2,253)</b>	<b>5,011</b>
<b>XV.</b>	<b>INCOME/LOSS BEFORE TAXES</b>		<b>610</b>	<b>32,738</b>
<b>XVI.</b>	<b>PROVISION FOR TAXES ON INCOME</b>		<b>(102)</b>	-
<b>XVII.</b>	<b>NET OPERATING INCOME/LOSS AFTER TAXES</b>		<b>508</b>	<b>32,738</b>
<b>XVIII.</b>	<b>EXTRAORDINARY INCOME/EXPENSE AFTER TAXES</b>		-	-
18.1	Extraordinary net income/expense before taxes		-	-
18.1.1	Extraordinary income		-	-
18.1.2	Extraordinary expense (-)		-	-
18.2	Provision for taxes on extraordinary income		-	-
<b>XIX.</b>	<b>NET PROFIT or LOSS</b>	III-7	<b>508</b>	<b>32,738</b>
19.1	Profit or Loss of group		508	32,738
19.2	Profit or Loss of minority interest		-	-
	Earnings/Losses per share		4	327

The accompanying notes are an integral part of these financial statements.

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

**TEKSTIL BANKASI A.S. CONSOLIDATED STATEMENTS OF INCOME FOR THE INTERIM  
PERIOD ENDED JUNE 30, 2003 AND 2002**  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

**III- CONSOLIDATED INCOME STATEMENTS**

INCOME AND EXPENSE ITEMS	Notes (Section 5)	Reviewed	Not Reviewed
		CURRENT PERIOD 01.04.2003-30.06.2003	PRIOR PERIOD 01.04.2002-30.06.2002
		Total	Total
<b>I. INTEREST INCOME</b>	III-1	<b>16,390</b>	<b>85,976</b>
1.1 Interest on loans		20,058	43,228
1.1.1 Interest on TL loans		17,418	40,802
1.1.1.1 Short term loans		17,448	39,114
1.1.1.2 Medium and long term loans		(30)	1,688
1.1.2 Interest on foreign currency loans		2,581	2,267
1.1.2.1 Short term loans		2,102	2,009
1.1.2.2 Medium and long term loans		479	258
1.1.3 Interest on loans under follow-up		59	159
1.1.4 Premiums received from Resource Utilisation Support Fund		-	-
1.2 Interest received from reserve deposits		514	541
1.3 Interest received from banks		123	2,283
1.3.1 The Central Bank of Turkey		21	-
1.3.2 Domestic banks		53	910
1.3.3 Foreign banks		49	1,373
1.4 Interest received from money market transactions		126	2,512
1.5 Interest received from marketable securities portfolio		(5,545)	36,231
1.5.1 Trading securities		3,124	11,225
1.5.2 Available-for-sale securities		-	-
1.5.3 Held to maturity securities		(8,669)	25,006
1.6 Other interest income		1,114	1,181
<b>II. INTEREST EXPENSE</b>	III-2	<b>34,128</b>	<b>46,797</b>
2.1 Interest on deposits		18,677	28,936
2.1.1 Bank deposits		1,524	3,707
2.1.2 Saving deposits		7,799	10,173
2.1.3 Public sector deposits		1	8
2.1.4 Commercial deposits		3,695	4,984
2.1.5 Other institutions deposits		96	6
2.1.6 Foreign currency deposits		5,562	10,058
2.1.7 Precious metals vault accounts		-	-
2.2 Interest on money market transactions		2,174	(106)
2.3 Interest on funds borrowed		2,302	2,249
2.3.1 The Central Bank of Turkey		-	-
2.3.2 Domestic banks		1,854	933
2.3.3 Foreign banks		448	1,316
2.3.4 Other financial institutions		-	-
2.4 Interest on securities issued		-	-
2.5 Other interest expense		10,975	15,718
<b>III. NET INTEREST INCOME [ I - II ]</b>		<b>(17,738)</b>	<b>39,179</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>3,137</b>	<b>3,746</b>
4.1 Fees and commissions received		3,717	4,143
4.1.1 Cash loans		124	469
4.1.2 Non-cash loans		1,589	1,481
4.1.3 Other		2,004	2,193
4.2 Fees and commissions paid		580	397
4.2.1 Cash loans		580	392
4.2.2 Non-cash loans		-	5
4.2.3 Other		-	-
<b>V. DIVIDEND INCOME</b>		-	-
5.1 Trading securities		-	-
5.2 Available-for-sale securities		-	-
<b>VI. NET TRADING INCOME/LOSS</b>		<b>28,832</b>	<b>25,723</b>
6.1 Profit/losses on trading account securities (Net)		10,561	25,276
6.2 Foreign exchange gains/losses (Net)		18,271	(51,029)
<b>VII. PROFIT/LOSS FROM HELD TO MATURITY MARKETABLE SECURITIES</b>	III-3	-	-
<b>VIII. OTHER OPERATING INCOME</b>	III-4	<b>2,815</b>	<b>3,045</b>
<b>IX. TOTAL OPERATING INCOME</b>		<b>17,046</b>	<b>20,217</b>
<b>X. PROVISION FOR LOAN LOSSES OR OTHER RECEIVABLES</b>	III-5	<b>(299)</b>	<b>1,931</b>
<b>XI. OTHER OPERATING EXPENSES</b>		<b>13,237</b>	<b>19,523</b>
<b>XII. NET OPERATING INCOME</b>		<b>4,108</b>	<b>(1,237)</b>
<b>XIII. PROFIT/LOSSES FROM ASSOCIATES AND SUBSIDIARIES</b>	III-6	-	-
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		<b>(541)</b>	<b>3,851</b>
<b>XV. INCOME/LOSS BEFORE TAXES</b>		<b>3,567</b>	<b>2,614</b>
<b>XVI. PROVISION FOR TAXES ON INCOME</b>		<b>72</b>	-
<b>XVII. NET OPERATING INCOME/LOSS AFTER TAXES</b>		<b>3,495</b>	<b>2,614</b>
<b>XVIII. EXTRAORDINARY INCOME/EXPENSE AFTER TAXES</b>		-	-
18.1 Extraordinary net income/expense before taxes		-	-
18.1.1 Extraordinary income		-	-
18.1.2 Extraordinary expense (-)		-	-
18.2 Provision for taxes on extraordinary income		-	-
<b>XIX. NET PROFIT or LOSS</b>	III-7	<b>3,495</b>	<b>2,614</b>
19.1 Profit or Loss of group		3,495	2,614
19.2 Profit or Loss of minority interest		-	-
Earnings/Losses per share		-	-

The accompanying notes are an integral part of these financial statements.

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

**TEKSTIL BANKASI A.S. CONSOLIDATED STATEMENTS OF CONTINGENCIES AND  
COMMITMENTS AS OF JUNE 30, 2003 AND DECEMBER 31, 2002**  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)

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

OFF-BALANCE SHEET COMMITMENTS	Note (Section 5)	Reviewed CURRENT PERIOD 30.06.2003			Audited PRIOR PERIOD 31.12.2002		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>303,529</b>	<b>886,955</b>	<b>1,190,484</b>	<b>168,134</b>	<b>982,995</b>	<b>1,151,129</b>
<b>I. GUARANTEES</b>	IV-2-3	<b>225,284</b>	<b>425,642</b>	<b>650,926</b>	<b>165,228</b>	<b>423,909</b>	<b>589,137</b>
1.1. Letters of guarantee		225,284	205,207	430,491	165,228	210,589	375,817
1.1.1. Guarantees subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3. Other letters of guarantee		225,284	205,207	430,491	165,228	210,589	375,817
1.2. Banks loans		-	11,979	11,979	-	12,009	12,009
1.2.1. Import letter of acceptance		-	11,979	11,979	-	12,009	12,009
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		-	162,621	162,621	-	153,603	153,603
1.3.1. Documentary letters of credit		-	121,269	121,269	-	113,285	113,285
1.3.2. Other letters of credit		-	41,352	41,352	-	40,318	40,318
1.4. Prefinancing given as guarantee		-	2,837	2,837	-	1,859	1,859
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Securities issue purchase guarantees		-	-	-	-	-	-
1.7. Other guarantees		-	42,998	42,998	-	45,849	45,849
1.8. Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		<b>49,750</b>	<b>3</b>	<b>49,753</b>	<b>2,906</b>	<b>4</b>	<b>2,910</b>
2.1. Irrevocable commitments		49,750	3	49,753	2,906	4	2,910
2.1.1. Asset purchase commitments		-	-	-	-	-	-
2.1.2. Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		3,981	-	3,981	2,906	-	2,906
2.1.5. Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for credit card limits		45,769	-	45,769	-	-	-
2.1.8. Other irrevocable commitments		-	3	3	-	4	4
2.2. Revocable commitments		-	-	-	-	-	-
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>28,495</b>	<b>461,310</b>	<b>489,805</b>	-	<b>559,082</b>	<b>559,082</b>
3.1. Forward foreign currency buy/sell transactions		28,495	149,882	178,377	-	200,162	200,162
3.1.1. Forward foreign currency transactions-buy		8,529	80,082	88,611	-	100,293	100,293
3.1.2. Forward foreign currency transactions-sell		19,966	69,800	89,766	-	99,869	99,869
3.2. Swap transactions related to f.c. and interest rates		-	74,349	74,349	-	44,969	44,969
3.2.1. Foreign currency swap-buy		-	37,145	37,145	-	22,615	22,615
3.2.2. Foreign currency swap-sell		-	37,204	37,204	-	22,354	22,354
3.2.3. Interest rate swaps-buy		-	-	-	-	-	-
3.2.4. Interest rate swaps-sell		-	-	-	-	-	-
3.3. Foreign currency and interest rate options		-	-	-	-	-	-
3.3.1. Foreign currency options-buy		-	-	-	-	-	-
3.3.2. Foreign currency options-sell		-	-	-	-	-	-
3.3.3. Interest rate options-buy		-	-	-	-	-	-
3.3.4. Interest rate options-sell		-	-	-	-	-	-
3.4. Foreign currency futures		-	237,079	237,079	-	313,951	313,951
3.4.1. Foreign currency futures-buy		-	117,004	117,004	-	159,385	159,385
3.4.2. Foreign currency futures-sell		-	120,075	120,075	-	154,566	154,566
3.5. Interest rate futures		-	-	-	-	-	-
3.5.1. Interest rate futures-buy		-	-	-	-	-	-
3.5.2. Interest rate futures-sell		-	-	-	-	-	-
3.6. Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV + V)</b>		<b>339,484</b>	<b>73,271</b>	<b>412,755</b>	<b>211,362</b>	<b>66,205</b>	<b>277,567</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>332,045</b>	<b>51,872</b>	<b>383,917</b>	<b>202,799</b>	<b>40,048</b>	<b>242,847</b>
4.1. Assets under management		-	-	-	-	-	-
4.2. Investment securities held in custody		172,766	39,398	212,164	89,130	29,019	118,149
4.3. Checks received for collection		156,977	11,331	168,308	111,046	9,313	120,359
4.4. Commercial notes received for collection		1,164	541	1,705	1,213	1,009	2,222
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		341	18	359	380	23	403
4.8. Custodians		797	584	1,381	1,030	684	1,714
<b>V. PLEDGED ITEMS</b>		<b>7,439</b>	<b>21,399</b>	<b>28,838</b>	<b>8,563</b>	<b>26,157</b>	<b>34,720</b>
5.1. Marketable securities		-	-	-	-	-	-
5.2. Guarantee notes		1,028	1,601	2,629	631	1,981	2,612
5.3. Commodity		-	-	-	-	164	164
5.4. Warranty		-	-	-	-	-	-
5.5. Immovables		-	3,663	3,663	-	2,754	2,754
5.6. Other pledged items		6,411	16,135	22,546	7,932	21,258	29,190
5.7. Pledged items-depository		-	-	-	-	-	-
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>643,013</b>	<b>960,226</b>	<b>1,603,239</b>	<b>379,496</b>	<b>1,049,200</b>	<b>1,428,696</b>

The accompanying notes are an integral part of these financial statements.

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

**TEKSTIL BANKASI A.S. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
AS OF JUNE 30, 2003 AND DECEMBER 31, 2002  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

**V- CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

	Paid-in Capital	Effect on Inflation Accounting on Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Total
<b>PRIOR PERIOD (*)</b>											
<b>December 31, 2001</b>											
1.	Balances at the beginning of the period	80,000	285,335	-	-	46,668	-	-	(253,389)	(145,585)	13,029
2.	Net off accumulated deficit	-	(294,270)	-	-	(42,005)	-	-	242,013	94,262	-
3.	Foreign exchange difference	-	-	-	-	-	-	(155)	-	-	(155)
4.	Net profit for the period	-	-	-	-	-	-	-	66,355	-	66,355
5.	Dividends	-	-	-	-	-	-	-	-	-	-
6.	Transfers to legal reserves	-	-	-	-	(3,343)	-	-	11,376	(8,033)	-
7.	Bond convertible to shares	-	-	-	-	-	-	-	-	-	-
8.	Issuance of share certificate	42,500	8,935	-	-	-	-	-	(23,718)	(1,381)	26,336
9.	Effect of inflation accounting on share capital	-	-	-	-	-	-	-	-	-	-
	<b>Closing balance of the period (1+2+3+4+5+6+7+8)</b>	<b>122,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,320</b>	<b>-</b>	<b>(155)</b>	<b>42,637</b>	<b>(60,737)</b>	<b>105,565</b>
<b>December 31, 2002</b>											
<b>CURRENT PERIOD</b>											
<b>December 31, 2002</b>											
1.	Balances at the beginning of the period	122,500	-	-	-	1,320	-	(155)	42,637	(60,737)	105,565
Increases in the period :											
2.	Available for sale securities	-	-	-	-	-	-	-	-	-	-
2.1.	Net fair value gains/losses	-	-	-	-	-	-	-	-	-	-
3.	Cash flow hedges	-	-	-	-	-	-	-	-	-	-
3.1.	Net fair value gains/losses	-	-	-	-	-	-	-	-	-	-
4.	Foreign exchange differences	-	-	-	-	-	-	298	-	-	298
Transferred amounts:											
5.	Available for sale securities	-	-	-	-	-	-	-	-	-	-
5.1.	Transferred to net profit	-	-	-	-	-	-	-	-	-	-
6.	Cash flow hedges	-	-	-	-	-	-	-	-	-	-
6.1.	Transferred to net profit	-	-	-	-	-	-	-	-	-	-
6.2.	Transferred to assets	-	-	-	-	-	-	-	-	-	-
7.	Net current year profit	-	-	-	-	-	-	-	508	-	508
8.	Dividends	-	-	-	-	-	-	-	-	-	-
9.	Transferred to legal reserves	-	-	-	-	-	-	-	(42,637)	42,637	-
10.	Issuance of share certificate	-	-	-	-	-	-	-	-	-	-
11.	Effect of inflation accounting on share capital	-	-	-	-	-	-	-	-	-	-
	<b>Closing Balance of the Period - June 30, 2003 (1+2+3+4+5+6+7+8+9+10+11)</b>	<b>122,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,320</b>	<b>-</b>	<b>143</b>	<b>508</b>	<b>(18,100)</b>	<b>106,371</b>

(\*) Since the "Accounting Application Regulations" (AAR) become effective from October 1, 2002, the figures regarding the prior period have been presented as of December 31, 2002.

The accompanying notes are an integral part of these financial statements.

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**TEKSTIL BANKASI A.S.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR AS OF JUNE 30, 2003**  
**AND DECEMBER 31, 2002**  
**(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

**VI- CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Notes (Section 5)	Reviewed Current Period 30.06.2003	Audited Prior Period 31.12.2002 (*)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>114,653</b>	<b>(31,395)</b>
1.1.1 Interest received (+)		82,300	214,086
1.1.2 Interest paid (-)		(53,589)	(181,868)
1.1.3 Dividend received (+)		-	90
1.1.4 Fees and commissions received (+)		6,230	11,743
1.1.5 Other income (+)		28,018	60,233
1.1.6 Collections from previously written off loans and other receivables (+)		925	2,325
1.1.7 Payments to personnel and service suppliers (-)		(11,281)	(25,149)
1.1.8 Taxes paid (-)		(2,689)	(6,011)
1.1.9 Extraordinary items (+/-)		-	-
1.1.10 Other	(VI-1)	66,992	(110,484)
1.1.11 Monetary Gain/(Loss)		(2,253)	3,640
<b>1.2 Changes in operating assets and liabilities</b>		<b>(165,121)</b>	<b>(824,517)</b>
1.2.1 Net (increase) decrease in trading securities (+/-)		64,404	(12,979)
1.2.2 Net (increase) decrease in due from banks and other financial institutions (+/-)		(3,589)	14,027
1.2.3 Net (increase) decrease in loans (+/-)		(102,353)	(170,704)
1.2.4 Net (increase) decrease in other assets (+/-)		(2,691)	98,625
1.2.5 Net increase (decrease) in bank deposits (+/-)		56,134	(99,766)
1.2.6 Net increase (decrease) in other deposits (+/-)		(163,604)	(569,073)
1.2.7 Net increase (decrease) in funds borrowed (+/-)		(24,018)	(53,494)
1.2.8 Net increase (decrease) in matured payables (+/-)		-	-
1.2.9 Net increase (decrease) in other liabilities (+/-)	(VI-1)	10,596	(31,153)
<b>I. Net cash provided from banking operations (+/-)</b>		<b>(50,468)</b>	<b>(855,912)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from investing activities (+/-)</b>		<b>15,724</b>	<b>227,647</b>
2.1 Cash paid for purchase of investments, associates and subsidiaries (-)	(VI-2)	-	-
2.2 Cash obtained from sale of investments, associates and subsidiaries (+)	(VI-3)	-	-
2.3 Fixed assets purchases (-)		(1,457)	(9,585)
2.4 Fixed assets sales (+)		3,080	11,831
2.5 Cash paid for purchase of securities available for sale (-)		-	-
2.6 Cash obtained from sale of securities available for sale (+)		-	-
2.7 Cash paid for purchase of investment securities (-)		(210)	-
2.8 Cash obtained from sale of investment securities (+)		14,311	225,401
2.9 Extraordinary items (+/-)		-	-
2.10 Other (+/-)		-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from financing activities (+/-)</b>		<b>(358)</b>	<b>26,457</b>
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 (+)		-	26,347
3.4 Dividends paid (-)		-	-
3.5 Payments for finance leases (-)		(82)	110
3.6 Extraordinary items (+/-)		-	-
3.7 Other (+/-)		(276)	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	(VI-1)	-	-
<b>V. Net increase / (decrease) in cash and cash equivalents (I+II+III)</b>		<b>(35,102)</b>	<b>(601,808)</b>
<b>VI. Cash and cash equivalents at beginning of the year (**)</b>	(IV-4)	48,725	650,533
<b>VII. Cash and cash equivalents at end of the year</b>	(IV-4)	13,623	48,725

(\*) Since the "Accounting Application Regulations" (AAR) become effective from October 1, 2002, the figures regarding the prior period have been presented as of December 31, 2002.

(\*\*) As of December 31, 2002, the reserve deposits amounted to TL 23,098 is classified within money market placements of in the balance sheet.

The accompanying notes are an integral part of these financial statements.

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**TEKSTIL BANKASI A.S.  
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**SECTION THREE  
ACCOUNTING POLICIES**

**I. Basis of Presentation**

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

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

**Other valuation methods**

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

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

**Changes in Accounting Policies:**

Until September 30, 2002, the Bank’s financial statements were being prepared in accordance with the Uniform Chart of Accounts, standard balance sheet, income statement, supplementary financial statements and footnotes to these financial statements and the explanations related to the applications of such financial statements and the accounting and valuation principles thereto that are based on the article 13 of the Banking Law 4389 as revised by Law Number 4672 and 4491 and the “Accounting Standard on Financial Statements at Hyperinflation Periods”, Communiqué No:14, published at Official Gazette dated June 22, 2002 and numbered 24793 and which is related to the “Regulation of Accounting Applications” and became effective from July 1, 2002. After October 1, 2002, the Bank’s financial statements are prepared in accordance with the accounting policies explained below and included in both Communiqué No: 14 and the other communiqués related to the Regulation of Accounting Applications effective from October 1, 2002. Accordingly, assets and liabilities were classified as of October 1, 2002 in accordance with the provisions of the related communiqués and the required changes for the other accounts were made and the effects of such changes were reflected in the income statement for 2002.

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

Tekstil Bankası Anonim Şirketi and its financial institutions, Tekstil Menkul Değerler Anonim Şirketi and The Euro Textile Bank Offshore Limited (ETB), are included in the accompanying consolidated financial statements by full consolidation method. The financial institutions to be consolidated have been determined in accordance with the Communiqué on “Procedures and Basis for Preparation and Announcement of Consolidated Financial Statements for Banks”, Communiqué No: 15, which is related to the “Regulation of Accounting Applications”. The Parent Bank and the institutions included in the consolidation will be named as “the Group”.

**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:

Name	Head Office
ETB	Lefkoşe
Tekstil Menkul Değerler	İstanbul

Tekstil Bilişim Hizmetleri ve Ticaret Anonim Şirketi, which is a non-financial subsidiary, is not being included within the consolidated financial statements as of June 30, 2003 and December 31, 2002 and valued at cost.

When there are differences between the accounting policies of the subsidiaries and the Parent Bank, the financial statements are adjusted in accordance with the accounting principles used by the Bank considering the materiality. The financial statements of the subsidiaries are prepared as of June 30, 2003 and December 31, 2002 and restated in accordance with the inflation accounting principles.

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

No foreign subsidiary was acquired during the current period. On the other hand, the Group does not have any goodwill related to the foreign subsidiaries. No difference occurred while applying the fair values at the foreign entities' assets and liabilities. There are no foreign subsidiaries sold at the current or previous periods.

**Explanations on Foreign Currency Transactions**

Foreign currency assets and liabilities are translated into Turkish lira with foreign exchange rates as of balance sheet dates. The resulting foreign exchange gains or losses due to valuation of monetary units are recorded in the statement of income as foreign exchange gain/loss, net.

The announced current foreign exchange buying rate of the Bank at the balance sheet date, which is used to translate into Turkish lira for the consolidated financial statements, is TL 1,386,180. (December 31, 2002 – TL 1,593,750)

The Group's total net foreign exchange gain included in net profit for the current period amounts TL 5,240. The Group has no significant foreign currency open position for the period. Foreign exchange indexed loans and securities are accounted at their Turkish Lira value on the initial booking date and the resulting foreign exchange loss are recorded in the “Interest Income” amounting TL 18,562 in accordance with the Uniform Chart of Accounts. However, the future transactions were evaluated by the rates that are occurred at the secondary market prices and the other derivative transactions are valued by their fair values and the positive fair values reflected in the “Profit/Losses on Trading Account Securities” amounting 15,432 in accordance with the Uniform Chart of Accounts. If these amounts, which are explained above, (TL 3,130) is accounted in the foreign exchange profit and loss statement then there would be a less foreign exchange gain (net) amounting approximately TL 2,110.

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There is no significant change in foreign exchange rates of the Bank subsequent to the balance sheet date except US Dollars. The US Dollars exchange rate was TL 1,397,362 as of the reporting date.

There are no capitalized foreign exchange losses.

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

The net investment in foreign entities of the Group as of the related dates was translated into Turkish lira by applying the exchange rates prevailing at the respective dates. The resulting foreign exchange gains or losses are recorded to foreign exchange gains / (losses) in the statement of income.

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

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

The Parent Company Bank makes forward currency agreements, swap and future transactions to reduce foreign currency risk. In accordance with Communiqué No: 1, "Accounting Standards of Financial Instruments" of AAR, derivative financial instruments that are not designated as hedging instruments are classified as held-for-trading and carried at fair value.

The derivative transactions are valued by the fair value following the booking period. Upon positive or negative fair value, the derivative transactions are classified in the balance sheet as the "Accrued Interest and Income Receivables" and "Accrued Interest and Expenses Payable", respectively. Variations in the fair value of the trading portfolio derivative transactions are booked in the "Profit/Losses on Trading Account Securities" account of the income statement.

Future transactions were evaluated by the rates that are occurred at the secondary market prices and the resulting gain or loss is reflected to "Profit/Losses on Trading Account Securities" in the income statement.

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

Before the effective date of AAR, forward currency exchange contracts and swap transactions were recorded by the discount or premium on a forward contract that is the effect of the difference between the foreign exchange rates at the inception of the contract and the contract rate, over the life of the forward contract.

**Foreign Currency Assets and Liabilities.**

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

The differences resulting from the translation of the securities issued and monetary financial assets into Turkish lira are reflected to the statement of income.



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

Financial assets and liabilities are netted off when the Parent Bank as a legal right and sanction regarding netting off, and when the Bank has the intention of collecting or paying the net amount of related assets and liabilities or when the Bank has the right to off set the assets and the liabilities simultaneously. There is no netting of financial assets and liabilities at the accompanying financial statements as of June 30, 2003.

**V- Interest Income and Expense**

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

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

**VII- Securities Held for Trading**

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

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

The Parent Bank has been following the repurchase agreements made with clients as a balance sheet item since February 1, 2002 in accordance with the Uniform Chart of Accounts. Accordingly, the government bonds and treasury bills sold to clients under repurchase agreements are recorded under the related securities account in the financial statements and are valued according to the valuation principles of the related account. Funds obtained by repurchase agreements are classified as a separate sub account under money markets account in the liabilities. The interest expense accruals calculated by means of effective interest method for the funds obtained by means of repurchase agreements are reflected to the interest and other expense accruals account in the balance sheet. As of June 30, 2003 the total amount of funds obtained by repurchase agreements is TL 106,237 (December 31, 2002 – TL 65,540). According to the Bank's classification of securities subject to repurchase agreements, these are classified and evaluated accordingly under two main categories, which are trading securities amounting to 35,889 TL (December 31, 2002 – TL 273), and security held to maturity amounting to TL 72,252 (December 31, 2002 – TL 55,865).

As of June 30, 2003, the Bank does not have any reverse repurchase transactions (December 31, 2002 – None).

As of June 30, 2003, the Bank does not have any lent marketable securities (December 31, 2002 – None).

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

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

The Group's portfolio does not keep securities available for sale.

The securities held to maturity and bank originated loans are initially recognized at cost including the transaction costs.

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

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

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

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

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

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

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

The Bank provides specific allowances for loans in-groups III, IV, and V, in accordance with the Regulation on Identification of and Provision Against Non-Performing Loans and Other Receivables as described in Paragraph 11 of Article 3 and Paragraph 12 of Article 11 of the Turkish Banking Law no. 4389 as amended by Act No. 4672 as published in the Official Gazette no. 24448 dated 30 June 2001, and in accordance with the amendment to the above regulation as republished in the Official Gazette no. 34657 dated 31 January 2002. These provisions are reflected to the statement of income under "Provision and Diminishing in Value Expenses – Special Provision Expense". The collection made regarding these loans are first deducted from the principal amount of the loan and the remaining collections are deducted from interest receivables.

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

Provision are removed by means of reversing the amount to the "Provision and Diminishing in Value Expense – Provision Expense" account. Allowances recorded in the previous periods and lost its necessity in the current period are credited to "Collections Regarding Previous Year's Expenses" account.

Foreign exchange indexed loans are recorded at the Turkish Lira equivalent values at the recording dates and the foreign currency exchange gains generated from these loans are recorded under the interest income accounts.

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

There is no goodwill regarding the Parent Company Bank.

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

Major group classified as other intangible fixed assets by the Parent Company Bank is softwares. While determining the depreciation periods of these, the essentials of General Tax Regulations are taken into consideration and no special criteria are used. The useful lives of these assets are determined as 5 years. Software mainly used are developed within the Bank by the Bank's personnel and the expenses regarding these are not capitalized.

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

**XII- Tangible Fixed Assets**

Tangible Fixed Assets are reflected at their restated cost in accordance with inflation accounting and depreciated by straight-line depreciation method. The depreciation rate is between 20% and 2%. A prorata basis is used for depreciating assets held less than one year as of the balance sheet date. The leasehold improvements are depreciated in accordance with the lease period by means of straight-line method. There is no change in current year depreciation rates in used.

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

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

There are no purchase commitments related to tangible fixed assets.

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

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**XIII- Leasing Transactions**

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

In addition to interest expense, the Parent Bank records depreciation expense in each period for the leased assets. The depreciation rate is determined in accordance with the Communiqué No:2 "Accounting Standard of Tangible Fixed Assets" and the depreciation rate is 20%.

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

The Parent Bank has no leasing transactions as lessor.

**XIV- Provisions and Contingent Liabilities**

The Provisions and contingent liabilities are determined in accordance with the Communiqué No: 8 of AAR, except for the general and specific provisions set for the loans and other receivables. Liabilities generated from previous events are recorded immediately by the Group at the estimated amounts. The Parent Bank did not provide an additional provision for contingent liabilities as of June 30, 2003 apart from the doubtful receivable provision and general provision set in accordance with the related regulations.

**XV- Liabilities Regarding Employee Rights**

In accordance with the existing social legislation, the Parent Bank is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Bank 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 Bank. In accordance with AAR, Communiqué No:10, the Bank sets provision for retirement and notice pay liabilities by taking the actual payment rates for the previous 5 years into consideration. Since the Bank could not obtain the data for the past 5 years related with notice pay liability, notice and vacation pay liability are calculated based on rate of the current year payments over the total liability.

The Group has no employees contracted for determined periods.

The Bank employees have no trade union membership.

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

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**XVI- Taxation**

*Corporate tax*

Corporation tax is computed on the statutory income tax base determined in accordance with the Procedural Tax Code without any adjustment for inflation accounting.

The corporation tax rate for the fiscal year ended December 31, 2002 was 30% plus an additional 10% fund levy, giving an effective tax rate of 33%. A 19.8% withholding tax was applied to investment deductions which were exempt from corporation tax. Where distributions had been made in respect of 2002 and prior years, withholding taxes of 5.5% and 16.5% (both including the additional 10% fund levy) applied to distributions made by either public or private corporations, respectively. This withholding tax only applied to amounts distributed that had been subject to corporation tax.

Law No. 4842, effective from April 24, 2003, abolished the 10% fund levy. Beginning with the current year, the effective corporation tax rate will revert to 30%.

Effective from April 24, 2003, income from 2002 and prior years will not be subject to withholding taxes if it is undistributed, is transferred to share capital or is distributed to resident tax-paying corporations. Where profits are distributed to resident taxpaying real persons, to those who are exempt from income and corporate tax, to those who are not income or corporation tax payers, to non-resident corporations, to non-resident real persons and to those who are exempt from income tax, a 10% withholding tax is applied. However profit distributions up to December 31, 2003 shall be subject to an effective tax rate of 11% due the continuation of the fund levy until that date.

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%. Investment deductions made as a result of holding investment incentive certificates for which application was made prior to April 24, 2003, and unused investment deductions carried forward from previous periods due to insufficient taxable profits, will be subject to a 19.8% withholding tax. Where, however, investment certificates were obtained based on applications made prior to April 24, 2003, an exemption from this withholding tax is available if written notification was made to the tax authorities before May 15, 2003. In this case the investment deduction will be limited to 40%.

The tax legislation provides for a temporary tax of 30% (25% before April 24, 2003) to be calculated and paid based on earnings generated for each of the first three quarters. The amounts thus calculated and paid are offset against the final tax liability for the year. The final corporation tax due, after deducting the quarterly payments, will be due in one instalment (2002 – three instalments) within the tax-filing period.

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

Tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred.

Tax returns are required to be filed within four months of the balance date. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

*Deferred tax*

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

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As of June, 2003 and December 31, 2002 the deferred tax asset is included in other assets in the accompanying balance sheet and as of December 31,2002 the related deferred tax credit is stated under the tax provision in the accompanying income statement.

**XVII- Additional Explanations on Borrowings**

Liabilities regarding borrowings are evaluated following the booking period at their discounted purchase values.

The Group has not issued convertible bonds. The Group has not issued any debt securities.

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

The Bank does not have any costs related to share issues. Subsequent to the balance sheet date, there is no announcement regarding profit distribution.

**XIX- Acceptances**

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

There are no acceptances presented as liabilities against any assets.

**XX- Government Incentives**

There are no government incentives utilized by the Bank.

**XXI- Reporting of Operating Segments**

Segment reporting will be prepared as of January 1, 2004.

**XXII- Other Explanations**

***Securities at Custody***

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

***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.

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

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

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**SECTION FOUR**  
**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE**

**I. Consolidated Capital Adequacy Standard Ratio**

The method used for risk measurement for capital adequacy standard ratio is performed in accordance with the Communiqué on "Measurement and Assessment of Banks Capital Adequacies", which was published on January 31, 2002 in the Official Gazette numbered 24657. The consolidated capital adequacy ratio of the Parent Company Bank, calculated in accordance with the communiqué on "Measurement and Assessment of Banks Capital Adequacies" is %13.5 as of June 30, 2003. (December 31, 2002 - % 14.8)

In the computation of capital adequacy standard ratio, information prepared in accordance with statutory accounting requirements is 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 into consideration in the capital adequacy standard ratio calculation.

**Information related to the capital adequacy ratio:**

	Consolidated Risk Weight				The Parent Bank Risk Weighted			
	0%	20%	50%	100%	0%	20%	50%	100%
Balance Sheet items (Net)	315,636	14,098	10,314	581,639	314,843	14,081	10,314	547,418
Cash	7,396	-	-	-	7,392	-	-	-
Due from banks	361	5,866	-	-	352	5,849	-	-
Interbank money market placements	-	-	-	-	-	-	-	-
Receivables from reverse repo transactions	-	-	-	-	-	-	-	-
Reserve deposits	78,473	-	-	-	78,473	-	-	-
Special finance houses	-	-	-	-	-	-	-	-
Loans	10,479	3,071	8,412	451,084	9,791	3,071	8,412	417,820
Loans under follow-up (Net)	-	-	-	3,394	-	-	-	3,375
Subsidiaries, associates and investments held to maturity	-	-	-	63	-	-	-	63
Miscellaneous receivables	-	5,161	-	641	-	5,161	-	631
Marketable securities held to maturity (Net)	217,652	-	-	-	217,652	-	-	-
Advances for assets acquired by financial leasing	-	-	-	-	-	-	-	-
Financial lease receivables	-	-	-	-	-	-	-	-
Leased assets (Net)	-	-	1,902	-	-	-	1,902	-
Fixed assets (Net)	-	-	-	71,257	-	-	-	71,161
Other assets	96	-	-	46,501	4	-	-	46,501
Off balance sheet items	6,958	236,758	54,223	108,821	6,958	236,758	54,223	112,813
Guarantees and pledges	6,958	236,681	29,346	105,508	6,958	236,681	29,346	109,500
Commitments	-	-	24,877	-	-	-	24,877	-
Other off balance sheet items	-	-	-	-	-	-	-	-
Transactions related with derivative financial instruments	-	77	-	3,313	-	77	-	3,313
Interest and income accruals	1,179	-	-	8,699	1,179	-	-	7,867
Non risk weighted accounts	-	-	-	-	-	-	-	-
<b>Total Risk Weighted Assets</b>	<b>322,594</b>	<b>250,856</b>	<b>64,537</b>	<b>690,460</b>	<b>321,801</b>	<b>250,839</b>	<b>64,537</b>	<b>660,231</b>
<b>Risk Weighted Assets, Liabilities and Non-Cash Loans</b>	<b>-</b>	<b>50,171</b>	<b>32,268</b>	<b>690,460</b>	<b>-</b>	<b>50,167</b>	<b>32,268</b>	<b>660,231</b>

**Summary information related to the capital adequacy ratio:**

	Consolidated	Consolidated	The Parent Bank	The Parent Bank
	Current Period	Prior Period	Current Period	Prior Period
Total Risk Weighted Assets (*)	791,649	719,350	763,504	696,106
Shareholders' Equity	107,151	106,204	95,300	92,904
Shareholders' Equity/ Total Risk Weighted Assets (SRY (%))	13.5	14.8	12.5	13.3

(\*) The above mentioned amounts consist of base amounts of the market risk which is TL 18,750 for the current period and TL 38,969 for the prior period respectively.

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

	Consolidated		The Parent Bank	
	Current Period	Prior Period	Current Period	Prior Period
<b>MAIN CAPITAL</b>				
Paid-in Capital	122,500	122,500	122,500	122,500
Nominal capital	122,500	122,500	122,500	122,500
Capital commitments (-)	-	-	-	-
Effect on Inflation Accounting on Share Capital	-	-	-	-
Share Premium	-	-	-	-
Legal Reserves	1,320	1,320	-	-
First legal reserve (Turkish Commercial Code 466/1)	576	576	-	-
Second legal reserve (Turkish Commercial Code 466/2)	744	744	-	-
Other legal reserve per special legislation	-	-	-	-
Statute Reserves	-	-	-	-
Extraordinary reserves	143	(155)	-	-
Reserves allocated by the General Assembly	-	-	-	-
Retained earnings	-	-	-	-
Accumulated loss	-	-	-	-
Foreign currency share capital exchange difference	143	(155)	-	-
Profit	508	42,637	848	41,472
Current period profit	508	42,637	848	41,472
Prior period profit	-	-	-	-
Loss (-)	(18,100)	(60,737)	(16,963)	(58,435)
Current period loss	-	-	-	-
Prior period loss	(18,100)	(60,737)	(16,963)	(58,435)
<b>Total Main Capital</b>	<b>106,371</b>	<b>105,565</b>	<b>106,385</b>	<b>105,537</b>
<b>SUPPLEMENTARY CAPITAL</b>				
Revaluation Fund	-	-	-	-
Furniture, fixture and vehicles	-	-	-	-
Buildings	-	-	-	-
Profit on sale of associates, subsidiaries and buildings to be transferred to share capital	-	-	-	-
Revaluation fund of leasehold improvement	-	-	-	-
Increase in the Value of Revaluation Fund	-	-	-	-
Foreign Exchange Differences	-	-	-	-
General Reserves	2,951	2,503	2,951	2,503
Provisions for Possible Losses	-	-	-	-
Subordinated Loans	-	-	-	-
Marketable Securities and Investment Securities Value Increase Fund	-	-	-	-
Associates and subsidiaries	-	-	-	-
Available for sale securities	-	-	-	-
Structured positions	-	-	-	-
<b>Total Supplementary Capital</b>	<b>2,951</b>	<b>2,503</b>	<b>2,951</b>	<b>2,503</b>
<b>TIER III CAPITAL</b>				
<b>CAPITAL</b>	<b>109,322</b>	<b>108,068</b>	<b>109,336</b>	<b>108,040</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>2,171</b>	<b>1,864</b>	<b>14,036</b>	<b>15,136</b>
Investments in unconsolidated financial companies whose main activities are money and capital markets, insurance and that operate with licenses provided in accordance with special laws	-	-	11,920	13,272
Leasehold improvements	1,109	1,300	1,109	1,300
Start-up costs	-	-	-	-
Prepaid expenses	1,062	564	1,007	564
The negative difference between the market values and the carrying amounts for unconsolidated investments, subsidiaries, other investments and fixed assets	-	-	-	-
Subordinated loans given to other banks which operate in Turkey	-	-	-	-
Goodwill (Net)	-	-	-	-
Capitalized expenses	-	-	-	-
<b>Total Shareholder's Equity</b>	<b>107,151</b>	<b>106,204</b>	<b>95,300</b>	<b>92,904</b>



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## II. Consolidated Market Risk

The Group has established market risk management operations and has taken the necessary precautions in order to hedge market risk within its financial risk management purposes, in accordance with the Communiqué on "Internal Control and Risk Management Systems of Banks" announced in the Official Gazette dated February 8, 2001.

"General market risk" is the risk of loss composed of "interest rate risk", "equity position risk" and "foreign exchange risk", regarding the assets and liabilities of the Group's on-off balance sheet, arising from changes in value of positions in the trading book due to changes in equity prices, interest rates and foreign currency exchange rates. The market risk is measured by employing the Value at Risk method. Value at Risk ("VaR") is the number, estimated by using various statistical methods that expresses the maximum loss for a given confidence interval and holding period which a bank may be exposed to as a result of changes in the value of its portfolio or its assets due to fluctuations in interest rates, foreign exchange rates and equity prices.

"Value at Risk" is calculated on a daily basis by employing Standard Approach, Parametric, Historical Simulation and Monte Carlo methods. In calculating "Value at Risk" a one-tailed 99 % confidence level is used regarding one-day holding period. The results have been reported to the Senior Level Risk Committee and Asset-Liability Committee in regular periods. By regarding the Value at Risk results, the risk of maturity mismatch has been examined in the Asset-Liability Management Committee and the necessary measures have been taken immediately by the ALCO Committee.

The adequate amount of capital that banks shall maintain against losses which may result from existing and potential risks, on a consolidated and unconsolidated basis especially for the General Market Risk and Specific Risk, has been calculated by employing the Standard Approach and reported on a monthly basis regarding the provisions of "Regulation on Measurement and Assessment of Capital Adequacy of Banks".

	Amount
Capital to be employed for interest rate risk – standard method	894
Capital to be employed for general market risk	894
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	284
Capital to be employed for general market risk	142
Capital to be employed for specific risk	142
Capital to be employed for options subject to common stock position risk	-
Capital to be employed for currency risk – Standard method	322
Capital liability	322
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	1,500
Amount subject to market risk	18,750

(\*) The amount subject to market risk is TL 18,750. But, this is not the risk amount that the bank is exposed to. TL 1,500 (8% of 18,750) is the risk amount and expresses total capital to be employed for market risk.

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### III. Consolidated Foreign Currency Risk

Foreign currency risk indicates the possibilities of the potential losses that banks are subject to due to the exchange rate movements in the market. The Bank follow-up its foreign currency risk, according to TL/FX and FX/FX items and the currency position can be easily measured by the several risk methods. FX/FX And TL/FX position can be hedged by using spot or forward transactions.

The Group's foreign currency position risk is measured by "Standard Method" and "Value-at-Risk " (VaR) model.

While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Group are taken into account. Net short and long position of Turkish Lira equivalent of each foreign currency is calculated. The value, which will be a base for calculating the share capital requirement, is computed by taking the higher absolute value of the position by adding to absolute net gold position. Share capital requirement is computed over of this amount.

The Board of Directors of the Bank determines the position limits that the Bank can hold in accordance with the present legal limitations, which are followed up daily. The Treasury Department of the Bank is responsible for the management of Turkish Lira or foreign currency price, liquidity and affordability risks that could occur in the domestic and international markets. The Risk Control Department continuously controls risk and risk related transactions occurring in the money markets and prepare weekly reports for the Bank's Asset-Liability Committee. The Loan Committee determines the related principles and limitations of the counterpart.

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

	23/06/03	24/06/03	25/06/03	26/06/03	27/06/03	30/06/03
<b>USD</b>	1,374,990	1,389,780	1,394,350	1,396,020	1,391,260	1,386,180
<b>CHF</b>	1,038,251	1,043,894	1,050,804	1,049,687	1,035,498	1,022,570
<b>GBP</b>	2,303,826	2,305,824	2,324,558	2,325,948	2,315,645	2,294,027
<b>JPY</b>	11,601	11,751	11,815	11,856	11,706	11,553
<b>EUR</b>	1,605,850	1,604,915	1,612,010	1,609,610	1,596,330	1,583,020

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

	Monthly Average FX Rate
<b>USD</b>	1,411,307
<b>CHF</b>	1,068,685
<b>GBP</b>	2,342,737
<b>JPY</b>	11,908
<b>EUR</b>	1,648,448

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

Current Period	EURO	USD	Yen	Other FC	Total
<b>Assets</b>					
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	1,376	1,835	-	314	3,525
Due from other banks and financial institutions	603	4,848	34	389	5,874
Trading securities	447	21,302	-	-	21,749
Investment securities available-for-sale	-	-	-	-	-
Loans (*)	56,773	162,528	743	743	220,787
Investments in subsidiaries and participations	-	-	-	-	-
Investment securities held-to-maturity (*)	-	307,265	-	-	307,265
Property and equipment	-	-	-	-	-
Goodwill	-	-	-	-	-
Other assets (***)	27,357	52,491	-	54	79,902
<b>Total Assets</b>	<b>86,556</b>	<b>550,269</b>	<b>777</b>	<b>1,500</b>	<b>639,102</b>
<b>Liabilities</b>					
Bank deposits	11	42	-	-	53
Foreign currency deposits	175,269	363,370	481	6,177	545,297
Funds provided from other financial institutions	16,537	53,981	-	2,023	72,541
Marketable securities issued	-	-	-	-	-
Miscellaneous payables	767	746	-	-	1,513
Other liabilities	14,068	9,321	35	1,916	25,340
<b>Total Liabilities</b>	<b>206,652</b>	<b>427,460</b>	<b>516</b>	<b>10,116</b>	<b>644,744</b>
<b>Net Balance Sheet Position</b>					
Net Balance Sheet Position	(120,096)	122,809	261	(8,616)	(5,642)
<b>Net Off-Balance Sheet Position</b>					
Net Off-Balance Sheet Position	117,370	(121,858)	(506)	12,146	7,152
Financial derivative assets	138,733	53,132	15,106	27,260	234,231
Financial derivative liabilities	21,363	174,990	15,612	15,114	227,079
Non-cash loans (**)	95,080	312,838	1,194	16,530	425,642
<b>Prior Period</b>					
Total Assets	66,852	749,374	1,475	4,159	821,860
Total Liabilities	233,216	594,565	149	12,242	840,172
Net Balance Sheet Position	(166,364)	154,809	1,326	(8,083)	(18,312)
Net Off-Balance Sheet Position	160,141	(162,026)	(1,311)	8,700	5,504
Non-cash loans (**)	103,937	295,586	1,709	22,677	423,909

(\*) Foreign exchange indexed loans amounting to TL 53,618 (December 31, 2002 - TL 32,809) are included in the loan portfolio and FX indexed government bonds amounting to TL 79,362 (31 December 2002 - TL 100,021) are included in the securities that are held-to-maturity.

(\*\*) The amount does not have any impact on the net off-balance sheet position.

(\*\*\*) Accrued interest and income receivables amounting to TL 945 of foreign exchange indexed loans are not included to foreign currency risk.

**IV. Consolidated Interest Rate Risk**

"Interest rate risk" is the probability of loss due to changes in interest rates depending on the Group's position regarding the interest bearing financial instruments.

The Bank manages the interest rate risk in the framework of the market risk management and Asset-Liability Management.

The Interest Rate risk has been calculated by employing Parametric, Historical Simulation and Monte Carlo methods and the Standard Approach, which is defined by the regulatory body (BRSA) in terms of Value at Risk.

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Value at Risk ("VaR") is the number, estimated by using various statistical methods that expresses the maximum loss for a given confidence interval and holding period which a bank may be exposed to as a result of changes in the value of its portfolio bearing interest rate risk. VaR is measured on a daily basis using a one-tailed 99 % confidence level and one-day holding period.

Besides this, effects of yield curve changes on balance sheet have been examined in the Asset-Liability Management Committee by duration and sensitivity analyses. Management observes markets and course of interest rates and, if needed, updates bank's interest rates.

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

<b>Current Period</b>	<b>Up to 1 Months</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>1 Year and Over</b>	<b>Demand</b>	<b>Total</b>
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	352	-	-	-	-	7,396	7,748
Due from banks and other financial institutions	5,849	-	-	-	-	26	5,875
Trading securities	17,637	9,854	4,112	37,495	11,211	1,778	82,087
Securities available-for-sale	-	-	-	-	-	-	-
Loans	238,203	110,975	70,487	44,808	8,573	3,394	476,440
Securities held-to-maturity	-	227,903	73,411	210	-	-	301,524
Other assets (**)	87,082	4,680	3,943	6,471	4,516	127,223	233,915
<b>Total Assets</b>	<b>349,123</b>	<b>353,412</b>	<b>151,953</b>	<b>88,984</b>	<b>24,300</b>	<b>139,817</b>	<b>1,107,589</b>
<b>Liabilities</b>							
Bank deposits (*)	167,992	-	-	-	-	-	167,992
Other deposits	479,985	106,851	13,352	10,431	237	69,639	680,495
Miscellaneous payables	-	-	-	-	-	3,610	3,610
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	10,527	34,026	26,248	17,868	1,217	-	89,886
Other liabilities (**)	9,564	7,506	2,822	695	157	144,862	165,606
<b>Total Liabilities</b>	<b>668,068</b>	<b>148,383</b>	<b>42,422</b>	<b>28,994</b>	<b>1,611</b>	<b>218,111</b>	<b>1,107,589</b>
Balance Sheet Interest Sensitivity Gap	(318,945)	205,029	109,531	59,990	22,689	(78,294)	-
Off Balance Sheet Interest Sensitivity Gap	-	-	-	-	-	-	-
<b>Total Interest Sensitivity Gap</b>	<b>(318,945)</b>	<b>205,029</b>	<b>109,531</b>	<b>59,990</b>	<b>22,689</b>	<b>(78,294)</b>	<b>-</b>

(\*) Bank Deposits line consists of Interbank money market deposits.

(\*\*) The other asset line at the without interest column consists of tangible fixed assets amounting to TL 70,078, intangible fixed asset amounting to TL 4,190, non-financial subsidiaries amounting to TL 63, miscellaneous receivables amounting to TL 5,802, the other asset line consists of assets held for sale amounting to TL 24,101 and deferred tax assets amounting to TL 22,000, the other liability line consists of shareholders' equity total amounting to TL 106,371.

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

<b>Current Period (*)</b>	<b>EURO %</b>	<b>USD %</b>	<b>Yen %</b>	<b>TL %</b>
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	1.19	0.54	-	25.00
Due from banks and other financial institutions	-	1.48	-	49.08
Trading securities	7.31	6.26	-	48.79
Securities available-for-sale	-	-	-	-
Loans	7.73	6.73	-	55.00
Securities held-to-maturity	-	5.08	-	-
<b>Liabilities</b>				
Bank deposits	-	-	-	45.92
Other deposits	4.70	3.78	-	46.62
Miscellaneous payables	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	4.49	3.49	-	43.43

(\*) Shown at the annually compounded interest rates.

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

<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Month</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>1 Year and Over</b>	<b>Demand</b>	<b>Total</b>
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	152	-	-	-	-	10,146	10,298
Due from banks and other financial institutions	38,427	-	-	-	-	-	38,427
Trading securities	2,106	967	67,358	74,393	1,430	-	146,254
Securities available-for-sale	-	-	-	-	-	-	-
Loans	183,861	75,272	88,891	1,619	21,050	3,872	374,565
Securities held-to-maturity	-	305,534	84,369	-	-	-	389,903
Other assets (**)	82,625	20,872	22,989	3,890	790	128,720	259,886
<b>Total Assets</b>	<b>307,171</b>	<b>402,645</b>	<b>263,607</b>	<b>79,902</b>	<b>23,270</b>	<b>142,738</b>	<b>1,219,333</b>
<b>Liabilities</b>							
Bank deposits (*)	111,858	-	-	-	-	-	111,858
Other deposits	670,279	130,356	30,641	12,766	57	-	844,099
Miscellaneous payables	-	-	-	-	-	6,146	6,146
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	19,657	30,920	48,920	5,539	8,868	-	113,904
Other liabilities (**)	6,628	3,934	991	595	523	130,655	143,326
<b>Total Liabilities</b>	<b>808,422</b>	<b>165,210</b>	<b>80,552</b>	<b>18,900</b>	<b>9,448</b>	<b>136,801</b>	<b>1,219,333</b>
Balance Sheet Interest Sensitivity Gap	(501,251)	237,435	183,055	61,002	13,822	5,937	-
Off Balance Sheet Interest Sensitivity Gap	-	-	-	-	-	-	-
<b>Total Interest Sensitivity Gap</b>	<b>(501,251)</b>	<b>237,435</b>	<b>183,055</b>	<b>61,002</b>	<b>13,822</b>	<b>5,937</b>	<b>-</b>

(\*) Bank Deposits line consists of Interbank money market deposits.

(\*\*) The other asset line at the without interest column consists of tangible fixed assets amounting to TL 73,623, intangible fixed asset amounting to TL 4,216, non-financial subsidiaries amounting to TL 63, miscellaneous receivables amounting to TL 712, the other asset line consists of assets held for sale amounting to TL 24,304 and deferred tax asset amounting to TL 24,526, the other liability line consists of shareholders' equity total amounting to TL 105,565.

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

Prior Period (*)	EURO %	USD %	Yen %	TL %
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	1.58	0.84	-	22.00
Due from banks and other financial institutions	-	2.53	-	-
Trading securities	9.16	4.40	-	54.02
Securities available-for-sale	-	-	-	-
Loans	7.79	6.90	-	60.48
Securities held-to-maturity	-	5.44	-	52.37
<b>Liabilities</b>				
Bank deposits	-	1.38	-	51.92
Other deposits	4.53	3.59	-	52.36
Miscellaneous payables	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	4.48	3.59	-	49.85

(\*) Shown at the annually compounded interest rates.

**V. Consolidated Liquidity Risk**

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

Liquidity risk may occur when the market penetration is not enough, 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 Parent Bank considers liquidity issue on a daily basis. The Asset–Liability Management Committee examines the 3-month cash flow projections during weekly meetings and decides the volume of positions. The present and unused lines in the ISE Settlement and Custody Bank Inc. regarding Stock Exchange Money Market and secondary market, and the Interbank limits are monitored spontaneously. Regarding maturity mismatch risk in the balance sheet, the maximum limits have been settled by the Boards of Directors.

Major part of the liquidity formation has been maintained by the saving deposits in the Bank. Additionally, the volume of saving deposits have retained a stable path during the period. On the contrary, the Bank executes the strategy of increasing long-term loans from international markets rather than loans from domestic secondary market. The 65% of the securities portfolio has been allocated as an alternative funding source rather than repurchase or given as collateral for any possible liquidity problem.

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

	Demand (*)	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Total
<b>Current Period</b>						
<b>Assets</b>						
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and Balances with the Central Bank of Turkey	7,748	-	-	-	-	7,748
Due from banks and other financial institutions	5,875	-	-	-	-	5,875
Trading securities	19,415	9,854	4,112	37,495	11,211	82,087
Securities available-for-sale	-	-	-	-	-	-
Loans	148,510	147,982	113,468	57,890	8,590	476,440
Securities held-to-maturity	-	-	1,959	36,077	263,488	301,524
Other assets (**)	92,959	4,680	3,943	6,542	26,521	233,915
<b>Total Assets</b>	<b>274,507</b>	<b>162,516</b>	<b>123,482</b>	<b>138,004</b>	<b>309,810</b>	<b>1,107,589</b>
<b>Liabilities</b>						
Bank deposits	167,992	-	-	-	-	167,992
Other deposits	549,624	106,851	13,352	10,431	237	680,495
Funds provided from other financial institutions	10,527	34,026	26,248	17,868	1,217	89,886
Marketable securities issued	-	-	-	-	-	-
Miscellaneous payables	3,610	-	-	-	-	3,610
Other liabilities (***)	43,600	7,506	2,822	828	156	165,606
<b>Total Liabilities</b>	<b>775,353</b>	<b>148,383</b>	<b>42,422</b>	<b>29,127</b>	<b>1,610</b>	<b>1,107,589</b>
Net Liquidity Gap	(500,846)	14,133	81,060	109,877	308,200	-
<b>Prior Period</b>						
Total Assets (**)	246,462	123,451	224,387	82,018	416,473	1,219,333
Total Liabilities (***)	835,430	165,252	80,864	18,900	9,448	1,219,333
Net Liquidity Gap	(588,968)	(41,801)	143,523	63,118	407,025	-

(\*) One-month maturity items are shown in the demand column. The current and prior related amounts are shown below.

	Current Period	Prior Period
Assets	241,923	234,563
Liabilities	705,537	734,091

(\*\*) Total column includes other assets amounting to TL 99,270 (December 31, 2002 - TL 126,542) consists of non-financial subsidiaries, tangible-intangible assets, assets held for sale and deferred tax assets and these are not taken into consideration at the maturity distribution.

(\*\*\*) Total column includes other liabilities amounting to TL 110,694 (December 31, 2002 - TL 109,439) consists of shareholders' equity, provisions except provisions for income taxes and minority interest and those are not taken into consideration at the maturity distribution.

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**SECTION FIVE**  
**FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS**

**I. Footnotes and Explanations Related to Consolidated Assets**

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

	Current Period	Prior Period
Demand - Unrestricted Amount	340	85
Time - Unrestricted Amount	12	67
<b>Total</b>	<b>352</b>	<b>152</b>

**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	-	-	1,754	-
Bond, treasury bill and similar investment securities	13,080	-	3,449	33,263
Other	-	-	-	-
<b>Total</b>	<b>13,080</b>	<b>-</b>	<b>5,203</b>	<b>33,263</b>

b) Trading securities subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	21,320	-	-	-
Treasury bills	14,569	-	273	-
Other debt securities	-	-	-	-
Bank bonds and Bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>35,889</b>	<b>-</b>	<b>273</b>	<b>-</b>

Trading securities include, free securities held for trading purposes amounting to TL 33,118 (December 31, 2002 – TL 107,515) which are not shown above.



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3. Information on available for sale portfolio: 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	654	-	3,020	-
Corporate shareholders	654	-	3,020	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	4,164	4,309	350
Loans granted to employees	65	-	114	-
<b>Total</b>	<b>719</b>	<b>4,164</b>	<b>7,443</b>	<b>350</b>

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

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Non-specialised loans	472,631	-	-	415
Discount notes	8,796	-	-	-
Export loans	186,521	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	3,070	-	-	-
International loans	-	-	-	-
Consumer loans	4,093	-	-	-
Credit cards	11,393	-	-	-
Precious metals loans	-	-	-	-
Other	258,758	-	-	415
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>472,631</b>	<b>-</b>	<b>-</b>	<b>415</b>

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c) Information on consumer loans:

	Short Term	Medium and Long Term	Total	Interest Income Accrual
<b>Consumer loans-TL</b>	91	2,942	3,033	55
Real estate loans	-	2,890	2,890	54
Automotive loans	-	13	13	-
Consumer loans	26	39	65	1
Personnel loans	65	-	65	-
Other consumer loans	-	-	-	-
<b>Consumer loans- Indexed to FC</b>	863	197	1,060	164
Real estate loans	-	197	197	164
Automotive loans	-	-	-	-
Consumer loans	863	-	863	-
Personnel loan	-	-	-	-
Other consumer loans	-	-	-	-
<b>Credit cards</b>	11,393	-	11,393	135
<b>Total Consumer Loans</b>	<b>12,347</b>	<b>3,139</b>	<b>15,486</b>	<b>354</b>

d) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	473,046	368,709
Foreign loans	-	1,984
<b>Total</b>	<b>473,046</b>	<b>370,693</b>

e) Loans granted to subsidiaries and investments: None.

f) Specific provisions provided against loans:

	Current Period	Prior Period
Specific provisions		
Loans and receivables with limited collectibility	30	21
Loans and receivables with doubtful collectibility	102	162
Un-collectible loans and receivables	1,861	4,522
<b>Total</b>	<b>1,993</b>	<b>4,705</b>

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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	-	-	4,264
(Gross amounts before the specific reserves)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	-	-	4,264
Prior Period	-	-	5,866
(Gross amounts before the specific reserves)	-	-	-
Loans and other receivables which are restructured	-	-	5,866
Rescheduled loans and other receivables	-	-	-

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

	III. Group:	IV. Group:	V. Group:
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Prior period end balance	74	273	8,230
Additions (+)	111	248	-
Transfers from other categories of loans under follow-up (+)	-	57	143
Transfers to other categories of loans under follow-up (-)	57	143	-
Collections (-)	8	93	1,123
Write-offs (-)	-	-	1,443
Restatement effect (-)	8	25	849
Current period end balance	112	317	4,958
Specific provision (-)	30	102	1,861
<b>Net Balances on Balance Sheet</b>	<b>82</b>	<b>215</b>	<b>3,097</b>

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g.3) Information on foreign currency loans and other receivables 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
Current Period :			
Current Period end balance	-	-	19
Specific provision (-)	-	-	-
Net Balance on Balance Sheet	-	-	19
Prior Period :			
Prior Period end balance	-	-	1,591
Specific provision (-)	-	-	1,570
Net Balance on Balance Sheet	-	-	21

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.

Current year provisions are deducted from related year income. The uncollectible loans are written off after the finalization of all the procedures according to the tax legislation in Turkey.

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

a) Information on held to maturity portfolio:

	Current Period	Prior Period
Debt securities	301,524	389,903
Quoted in a stock exchange	210	13,658
Not quoted	301,314	376,245
Provision for impairment (-)	-	-
<b>Total</b>	<b>301,524</b>	<b>389,903</b>

b) Movement of Held to Maturity Portfolio:

	Current Period	Prior Period
Beginning balance	389,903	584,730
Restatement effect (-)	(40,151)	(137,690)
Foreign currency differences on monetary assets	(34,127)	30,523
Purchases during year	210	234
Disposals through sales and redemptions	(14,311)	(87,894)
Impairment provision	-	-
<b>Closing Balances</b>	<b>301,524</b>	<b>389,903</b>

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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
<b>Held to Maturity Portfolio</b>								
Given as collateral or blocked	518	11,102	570	11,142	5,215	292,111	9,980	293,259
Subject to repurchase transactions	72,252	-	78,349	-	55,865	-	71,679	-
Held for structural position	-	-	-	-	-	-	-	-
Receivables from securities lending	-	-	-	-	-	-	-	-
Collaterals on securities lending	-	-	-	-	-	-	-	-
<b>Total</b>	<b>72,770</b>	<b>11,102</b>	<b>78,919</b>	<b>11,142</b>	<b>61,080</b>	<b>292,111</b>	<b>81,659</b>	<b>293,259</b>

As of June 30, 2003, securities held to maturity include free securities amounting to TL 217,652 which are not shown above (December 31, 2002 - TL 36,712).

Marketable securities held to maturity consist of TL and libor indexed securities issued in debt swap auction by given as collateral for statutory requirements.

c.2) Marketable securities held to maturity given as collateral consist of public sector debt securities of TL 11,620 (December 31, 2002 - TL 297,326) given as collateral for statutory requirements.

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

	Current Period		Prior Period	
	TP	YP	TP	YP
Share certificates	-	-	-	-
Bonds and similar investment securities	518	11,102	5,215	292,111
Other	-	-	-	-
<b>Total</b>	<b>518</b>	<b>11,102</b>	<b>5,215</b>	<b>292,111</b>

c.3) Securities held-to-maturity subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	72,252	-	55,865	-
Treasury Bills	-	-	-	-
Other debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>72,252</b>	<b>-</b>	<b>55,865</b>	<b>-</b>

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

6. Information on investments (Net): None

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7. Information on Subsidiaries (Net):

a) Information on unconsolidated subsidiaries:

a.1) Information on unconsolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	63	63
Movements during the period	-	-
Purchases	-	-
Free shares obtained profit from current year's share	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase (*)	-	-
Provision for impairment	-	-
<b>Balance at the end of the period</b>	<b>63</b>	<b>63</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

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

	Current Period	Prior Period
Valuation with cost	63	63
Valuation with fair value	-	-
Valuation with equity method	-	-

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

a.4) Information on unconsolidated subsidiaries:

Description	Address(City/ Country)	Bank's share percentage-If different voting percentage(%)	Bank's risk group share percentage (%)
Tekstil Bilişim Hizmetleri A.Ş.	İstanbul/Türkiye	99.97	0.03

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Information on unconsolidated subsidiaries as presented above:

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair Value
32 (*)	34 (*)	3 (*)	6 (*)	-	1 (*)	3 (*)	-

(\*) The amounts at the financial statements are presented with their nominal values as of June 30, 2003.

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

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

b) Information on the consolidated subsidiaries:

b.1) Information on the consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	13,270	53,084
Movements during the period	(1,350)	(39,814)
Purchases	-	-
Free shares obtained profit from current year's share	-	-
Dividends from current year income	-	-
Sales	-	(33,858)
Revaluation increase (*)	(1,289)	(2,091)
Provision for impairment	(61)	(3,865)
<b>Balance at the end of the period</b>	<b>11,920</b>	<b>13,270</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

b.2) Valuation of subsidiaries:

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

	Current Period	Prior Period
Valuation with cost	11,920	13,270
Valuation with fair value	-	-
Valuation with equity method	-	-

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

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

Description	Address (City / Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
Tekstil Menkul Değerler A.Ş.	İstanbul/Türkiye	99.92	0.08
The Euro Textile Bank Offshore Ltd.	Lefkoşe/Kıbrıs	99.99	0.01

Information on subsidiaries as presented above:

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair Value
3,255	3,014	90	583	69	(111)	(4,985)	-
46,654	8,894	5	7,114	285	975	(1,070)	-

b.5) Information on the consolidated subsidiaries that were disposed in current period: None.

b.6) Information on the consolidated subsidiaries purchased in current period: None.

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

**9. Explanations related to interest and income accruals:**

a) Information about accrued interest and income receivables:

Accrued interest and income receivables	Current Period		Prior Period	
	TL	FC	TL	FC
Interest accruals – due	1,302	13	17	35
Interest accruals - not due	5,510	1,647	6,456	2,480
Loan commissions and other income accruals - due	105	-	2	-
Loan commissions and other income accruals - not due	-	2	-	6
<b>Total</b>	<b>6,917</b>	<b>1,662</b>	<b>6,475</b>	<b>2,521</b>



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b) Information on other interest and income accruals:

Other interest and income accruals	Current Period		Prior Period	
	TL	FC	TL	FC
Trading securities	4,818	1,755	1,526	7,283
Securities available for sale	-	-	-	-
Securities held to maturity	5,965	812	26,685	1,148
Interest accruals of reverse repurchase transactions	-	-	-	-
Interest accruals of reserve deposits	411	115	440	152
Income accruals of financial derivative instruments	5,010	-	10,022	-
Interest and income accruals	-	-	-	-
Income accrual of foreign exchange gains	5,010	-	10,022	-
Income accruals of financial lease income	-	-	-	-
Other	185	-	67	11
<b>Total</b>	<b>16,389</b>	<b>2,682</b>	<b>38,740</b>	<b>8,594</b>

10. Information on other assets:

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

	Current Period	Prior Period
Deferred tax	22,000	24,526
Assets held for sale	24,101	24,304
Advances given	79	29
Prepaid rent expenses	111	119
Prepaid taxes	94	266
Other	1,274	814
<b>Total</b>	<b>47,659</b>	<b>50,058</b>

As June 30, 2003 the Bank recognized the deferred tax asset amounting to TL 22,000 computed mainly over the carried tax losses in the accompanying financial statements excepts for the differences accounted due to applying inflation accounty.

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

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II. Footnotes and Explanations Related to Consolidated Liabilities

1. a) Information on maturity structure of deposits:

a.1) Current Period:

	Demand	7 day Call			3-6 Month	6 Month-1 Year	1 Year and over
		Accounts	Up to 1 month	1-3 Month			
Saving deposits	2,836	-	56,085	9,529	393	366	1
Foreign currency deposits	45,535	-	179,645	269,820	26,734	18,762	4,801
Residents in Turkey	40,609	-	171,739	261,906	23,700	7,256	4,753
Residents abroad	4,926	-	7,906	7,914	3,034	11,506	48
Public sector deposits	3,359	-	-	-	-	-	-
Commercial deposits	9,114	-	37,436	5,815	442	4	-
Other institutions deposits	9,623	-	142	52	-	1	-
Precious metals deposits	-	-	-	-	-	-	-
Interbank deposits	55	-	36,700	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	53	-	36,700	-	-	-	-
Foreign Banks	2	-	-	-	-	-	-
Special finance houses	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>70,522</b>	<b>-</b>	<b>310,008</b>	<b>285,216</b>	<b>27,569</b>	<b>19,133</b>	<b>4,802</b>

a.2) Prior Period:

	Demand	7 day Call			3-6 Month	6 Month-1 Year	1 Year and over
		Accounts	Up to 1 month	1-3 Month			
Saving deposits	3,403	-	64,244	14,519	195	61	-
Foreign currency deposits	76,316	-	194,915	334,586	65,177	23,944	8,966
Residents in Turkey	70,453	-	190,810	323,324	60,806	13,538	5,250
Residents abroad	5,863	-	4,105	11,262	4,371	10,406	3,716
Public sector deposits	36	-	-	-	-	-	-
Commercial deposits	15,392	-	32,388	3,080	55	7	-
Other institutions deposits	6,771	-	16	28	-	-	-
Precious metals deposits	-	-	-	-	-	-	-
Interbank deposits	106	-	18,342	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	100	-	18,342	-	-	-	-
Foreign Banks	6	-	-	-	-	-	-
Special finance houses	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>102,024</b>	<b>-</b>	<b>309,905</b>	<b>352,213</b>	<b>65,427</b>	<b>24,012</b>	<b>8,966</b>

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

Saving Deposits	Under the guarantee of saving deposit insurance		Exceeding the limit of saving deposits	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	20,293	24,844	41,484	45,886
Foreign currency saving deposits	95,525	78,315	332,113	294,099
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
<b>Total</b>	<b>115,818</b>	<b>103,159</b>	<b>373,597</b>	<b>339,985</b>

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b.2) 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 (*)	7,433	11,692
<b>Total</b>	<b>7,433</b>	<b>11,692</b>

(\*) The Consolidated Subsidiary of the Bank - The Euro Textile Offshore Bank Ltd's saving deposits.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	106,237	-	65,540	-
Financial institutions and organizations	103,370	-	56,921	-
Other institutions and organizations	235	-	592	-
Real persons	2,632	-	8,027	-
From foreign transactions	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
<b>Total</b>	<b>106,237</b>	<b>-</b>	<b>65,540</b>	<b>-</b>

**3. Information on funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	17,345	64,609	13,165	91,704
Medium and long-term	-	7,932	-	9,035
<b>Total</b>	<b>17,345</b>	<b>72,541</b>	<b>13,165</b>	<b>100,739</b>

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

**5. Explanation on funds:** None

**6. Explanation on miscellaneous payables:**

	Current Period	Prior Period
Total amount of cash collateral obtained	33	38

The table consists of blocked accounts regarding cash collateral, loans, letters of guarantees, acceptances.

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

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8. Explanation on financial lease obligations:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	964	895	955	842
Between 1-4 Years	158	151	499	480
More than 4 Years	-	-	-	-
<b>Total</b>	<b>1,122</b>	<b>1,046</b>	<b>1,454</b>	<b>1,322</b>

9. Information on interest and expense accruals:

	Current Period		Prior Period	
	TL	FC	TL	FC
Accrued interest on deposits	773	1,649	1,246	2,448
Accrued interest on funds borrowed	1,495	596	1,425	1,028
Accrued interest on bonds	-	-	-	-
Accrued interest on repurchase agreement transactions	111	-	79	-
Accrued interest on derivative financial instruments	8,422	-	3,648	-
Accrued interest and expense	-	-	-	-
Foreign exchange losses accrued	8,422	-	3,648	-
Other interest and expense accruals	6,637	14	1,443	31
<b>Total</b>	<b>17,438</b>	<b>2,259</b>	<b>7,841</b>	<b>3,507</b>

10. Provisions and subordinated loans:

a) Information on general provisions:

	Current Period	Prior Period
General provisions	2,951	2,503
Provisions for First Group Loans and Receivables	2,275	1,880
Provisions for Second Group Loans and Receivables	2	3
Provisions for Non Cash Loans	655	592
Others	19	28
<b>Total</b>	<b>2,951</b>	<b>2,503</b>

b) Information on employee termination benefits and notice indemnity:

	1998	1999	2000	2001	Prior Period	Current Period
Actual Payments of Employee Termination Benefits (*)	15	48	115	947	443	88
Reserve for Employee Termination Benefits and Notice Indemnity (*)	427	982	1,918	2,389	3,155	3,496
Actual Payment Ratio	3.51%	4.89%	6.00%	39.64%	14.04%	2.52%
Ratio of reserve for Employee Termination Benefits and Notice Indemnity	-	-	-	-	-	13.62%
Possible reserve for Employee Termination Benefits and Notice Indemnity	-	-	-	-	-	476

(\*) Shown as nominal values.

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The Bank calculated previous 5 years' average ratio of the employee termination benefits. As of June 30, 2003, TL 360 of reserve for employee termination benefits and notice indemnity and a reserve of TL 320 for the unused vacation periods is reflected in the financial statements

- c) Information on free reserves for possible losses: None.  
d) Information on subordinated loans: None

**11. Information of Shareholders' Equity:**

- a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	122,500	122,500
Preferred stock	-	-

- b) Paid-in capital amount , explanation as to whether the registered share capital system is applicable to the Bank if so, amount of registered share capital ceiling : None  
c) Information on share capital increases and their sources; other information on increased capital shares in current period: None  
d) Information on share capital increases from revaluation funds: None  
e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments: None.  
f) The information about 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: None.

**12. Common stock issue premiums, shares and equity instruments: None.**

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

Name/Commercial title	Amounts	Share Percentage	Paid-in capital	Unpaid portion
GSD Holding A.Ş.	91,618	% 74.79	91,618	-
<b>Toplam</b>	<b>91,618</b>	<b>% 74.79</b>	<b>91,618</b>	<b>-</b>

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**III- Footnotes and Explanations Related to Consolidated Income Statement**

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

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

Other interest expense amounting to TL 19,285 includes interest expense on marketable securities subject to repurchase agreements amounting to TL 19,202.

Other fee and commission income amounting to TL 3,976 includes fees and commissions on credit cards. Other operating expenses amounting to TL 28,049 TL includes personnel expenses amounting to TL 11,281, depreciation expenses amounting to TL 4,569 and taxes and funds expenses amounting to TL 2,674.

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

	Current Period	Prior Period
Interest received from investments and subsidiaries	3	(*)

(\*) The information can not be maintained from the Group.

**b) Information on financial lease income: None.**

**c) Interest received from reverse repurchase agreement transactions:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest received from reverse repurchase agreement transactions	11	-	(*)	(*)

(\*) The information can not be maintained from the Group.

**2. a) Information on interest expense to investments and subsidiaries:**

	Current Period	Prior Period
Interest expense to investments and subsidiaries	6	(*)

(\*) The information can not be maintained from the Group.

**b) Information on financial lease expenses:**

	Current Period	Prior Period
Financial lease expense	82	(*)

(\*) The information can not be maintained from the Group.

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

Account name	Demand Deposits	Time Deposits					Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	
<b>TL</b>							
Bank deposits	-	2,167	-	-	-	-	2,167
Saving deposits	13	14,091	1,818	68	24	-	16,014
Public sector deposits	1	-	-	-	-	-	1
Commercial deposits	91	7,026	392	32	1	-	7,542
Other deposits	19	84	8	-	-	-	111
7 days call accounts	-	-	-	-	-	-	-
<b>Total</b>	<b>124</b>	<b>23,368</b>	<b>2,218</b>	<b>100</b>	<b>25</b>	<b>-</b>	<b>25,835</b>
<b>FC</b>							
Foreign currency deposits	5	3,387	6,520	1,123	479	228	11,742
7 days call accounts	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-
<b>Total</b>	<b>5</b>	<b>3,387</b>	<b>6,520</b>	<b>1,123</b>	<b>479</b>	<b>228</b>	<b>11,742</b>
<b>Total</b>	<b>129</b>	<b>26,755</b>	<b>8,738</b>	<b>1,223</b>	<b>504</b>	<b>228</b>	<b>37,577</b>

d) Interest expense on repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on repurchase agreements	19,202	-	26,761	-

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

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

The information on the factors affecting the Bank's income including extraordinary items and new developments: None

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

	Current Period	Prior Period
Specific provisions for loans and other receivables	158	1,726
Unsecured	-	-
Other groups	158	1,726
General provision expenses	727	1,488
Marketable securities impairment expense	(237)	-
Provision for impairment (*)	-	-
Other	16	-
<b>Total</b>	<b>664</b>	<b>3,214</b>

(\*) Provision for impairment related to participations and subsidiaries.

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6.a) Income and expenses relating to investments and subsidiaries: None.

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

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

The Bank has certain banking transactions with group companies. These are commercial transactions, which are realized in line with market rates. These are reflected in income statement. The related amounts are presented in Part V, section 6.

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

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

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

c) Information on income / loss related to minority shares: None.

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



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

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

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

The Bank's contingent liabilities resulting obligations of other ventures in joint ventures: None

- b) Contingent gains and losses that can not be estimated and which have a significant impact on the financial statements:

A customer has sued the Bank with the claim that his deposit money has been withdrawn from his account with false documents. The amount is 1,299,213 Australian Dollars (approx. TL 921). The trial is in the initial stage and according to the Bank's law consultant and the Bank management, the outcome is expected to be favourable for the Bank. No provision has been made in respect of this claim.

**2. Information on consolidated off-balance sheet liabilities:**

- a) Nature and amount of irrevocable loan commitments: Credit card expenditure limit commitment is TL 45,769.

- b) Nature and amount of contingent loss and commitments from consolidated 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, 2003, total guarantees and commitments consist of letter of guarantees amounting to TL 430,491, acceptances amounting to TL 11,979, letters of credit amounting to TL 162,621, prefinancing given as guarantees amounting to TL 2,837 and other guarantees amounting to TL 42,998.

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

3. a) Non-cash loans:

	Current Period	Prior Period
Guarantees given against cash loans	106,060	107,322
With maturity of 1 year or less than 1 year	73,438	-
With maturity of more than 1 year	32,622	107,322
Other non-cash loans	544,866	481,815
<b>Total</b>	<b>650,926</b>	<b>589,137</b>

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

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

As of June 30, 2003 and December 31, 2002, the Bank has been rated by an international rating institutions.

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**V. Footnotes and Explanations Related to Consolidated Statements of Cash Flows**

**1. Cash and cash equivalents at the beginning of the period:**

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

	Current Period	Prior Period (*)
Cash	10,146	10,421
Cash equivalents (**)	38,579	640,112
<b>Total</b>	<b>48,725</b>	<b>650,533</b>

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

(\*) Since the "Accounting Application Regulations" (AAR) become effective from October 1, 2002, the figures regarding the prior period have been presented as of December 31, 2002.

(\*\*) As of December 31, 2002, the reserve deposits amounted to TL 23,098 is classified within money market placements in the balance sheet.

**2. Cash and cash equivalents at the end of the period:**

	Current Period	Prior Period (*)
Cash	7,396	10,146
Cash equivalents	6,227	38,579
<b>Total</b>	<b>13,623</b>	<b>48,725</b>

(\*) Since the "Accounting Application Regulations" (AAR) become effective from October 1, 2002, the figures regarding the prior period have been presented as of December 31, 2002.

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**VI. Footnotes and Explanations on the Risk Group of the Bank**

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

a) Current Period:

Bank's Risk Group (*)	Investments and subsidiaries		Direct and indirect Shareholders of the Bank		Other entities included in related parties	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	4,309	350	3,454	22,482
Balance at end of period	-	-	654	4,164	13,870	27,842
Interest and commission income	-	-	11	28	860	80

b) Prior Period:

Bank's Risk Group (*)	Investments and subsidiaries		Direct and indirect shareholders of the Bank		Other entities included in related parties	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	3,042	16,684	27,660	9,511
Balance at end of period	-	-	4,309	350	3,454	22,482
Interest and commission income	-	-	(**)	(**)	(**)	(**)

(\*\*) The above information can not be maintained from the Group.

c.1) Information on related party deposits balances:

Bank's Risk Group (*)	Investments and subsidiaries		Direct and indirect shareholders of the Bank		Other entities included in related parties	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Balance at beginning of period	32	58	46	14,984	4,985	21,253
Balance at end of period	34	32	1,070	46	4,895	4,985
Interest on deposits	-	(**)	2	(**)	78	(**)

(\*\*) The above information can not be maintained from the Group.

c.2) Information on forward and option agreements and other similar agreements made with related parties: None.

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

**2. Disclosures for related parties:**

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

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

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- 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
Securities held to maturity	-	-
Cash loans	14,524	3.07
Non-cash loans	32,006	4.92
Deposits	5,999	0.84
Forward transactions and option agreements	-	-
Other receivables	-	-

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

Within the limits of the Banking Law, the Bank renders cash and non-cash loans to its related parties. Amounts of these loans are explained in the note 1(a).

As of June 30, 2003, the Bank has no purchases and sale of real estate and other assets, transfer of information as a result of research and development, license and management contracts with the related parties.

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

**TEKSTIL BANKASI A.S.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2003  
(Currency-Billions of Turkish lira in equivalent purchasing power at June 30, 2003)**

**VII- Footnotes And Explanations Related To Inflation Accounting**

**Inflation Accounting**

The accompanying financial statements are prepared by applying inflation accounting to the financial statements, which are prepared on a historical cost basis, except for the revaluation of fixed assets in line with Turkish Tax Legislation, in accordance with the provisions of Communiqué No: 14 "Accounting Standard Related to the Preparation of Financial Statements in Hyperinflationary Periods" related to ARR. Communiqué No: 14 requires banks to restate their financials in the equivalent purchasing power of Turkish Lira at the balance sheet date. One characteristic that necessitates the application of inflation accounting under the provisions of Communiqué No: 14 is a cumulative three-year inflation rate approaching or exceeding 100%. As of June 30, 2003 based on the wholesale price indices announced by the State Institute of Statistics, the cumulative three-year inflation rate in Turkey is 208%.

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

**The main guidelines for inflation accounting are as follows:**

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

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

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

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

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

All items in the statement of income are restated by applying the relevant average conversion factors.

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

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Wholesale price indices and conversion factors that are used to restate the accompanying the financial statements as of December 31, 2002, reflecting the restatement for the changes in the general purchasing power of the Turkish is as follows;

	Index	Conversion Factors
December 31, 2002	6,478.8	1.115
December 31, 2001	4,951.7	1.459
December 31, 2000	2,626.0	2.750
June 30, 2003	7,222.2	1.000
June 30, 2002	5,572.0	1.296

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 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 Comminuqué No :14, the Bank obtains expertise reports for its buildings.

As of June 30, 2003 the total amount of legal reserves and general reserves are TL 5,480 and TL 4,610, respectively, in the Bank's statutory books of account.

Balance sheet and income statement for the period ended June 30, 2003 are reviewed. Balance sheet as of December 31, 2002, is audited. Income statement for the period ended June 30, 2002 is not reviewed.

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

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#### **VIII. Footnotes and Explanations Related to Subsequent Events**

- a) Disclosure related to subsequent events and their impact on the financial statements as required by the related standard: There are no significant changes.
- b) The impact of significant changes in foreign exchange rates subsequent to the balance sheet date on the foreign currency transactions, items and on the financial statements of the Bank: There are no significant changes.

### **SECTION SIX**

#### **INDEPENDENT LIMITED REVIEW REPORT**

##### **I. Explanations on the Independent Limited Review Report**

The consolidated interim financial statements of the Bank were reviewed by Güney Serbest Muhasebeci Mali Müşavirlik A.Ş. (An Affiliated Firm of Ernst &Young International) and the review report dated August 20, 2003 is presented preceeding the consolidated interim financial statements