

**THE CENTRAL BANK
OF THE REPUBLIC OF TURKEY**

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
31 DECEMBER 2001 AND 2000

To The Central Bank of
The Republic of Turkey
Ankara

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY
INDEPENDENT AUDITORS' REPORT

1. We have audited the accompanying balance sheets of the Central Bank of the Republic of Turkey (the "Bank") as of 31 December 2001 and 2000 and the related statements of income, shareholders' equity and cash flows for the years then ended, all expressed in the equivalent purchasing power of Turkish Lira as at 31 December 2001. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.
2. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.
3. We were not appointed to audit the financial statements of the Bank as of, and for the year ended, 31 December 1999 and have not been able to determine the possible adjustments, if any, to the balance sheet as at that date, which might prove necessary in order to comply with International Accounting Standards. Such adjustments, if any, might have an impact on the opening balances for the year 2000.
4. In our opinion, except for such adjustments, if any, as may be required in respect of the matter set out in paragraph 3, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as at 31 December 2001 and 2000 and the results of its operations and its cash flows for the years then ended, in conformity with International Accounting Standards.

DRT DENETİM REVİZYON TASDİK
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

Member of Firm **DELOITTE TOUCHE TOHMATSU**
Derya ÖZALP

Ankara, 14 March 2002

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEETS

AS AT 31 DECEMBER 2001 AND 2000

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

<u>ASSETS</u>	<u>Note</u>	2001	2000	Convenience	Convenience
		<u>TL Billion</u>	<u>TL Billion</u>	<u>Translation</u>	<u>Translation</u>
				2001	2000
				<u>USD Million</u>	<u>USD Million</u>
Cash and amounts due from banks	4	2,436,487	4,815,915	1,693	3,345
Gold reserves	5	1,527,126	1,309,659	1,061	910
Placements with banks & financial institutions	6	7,507,707	5,570,250	5,215	3,869
Securities portfolio	7	61,277,098	34,378,556	42,566	23,881
Receivable from Turkish Treasury	20	176,052	-	122	-
Loans (net)	8	1,757,534	1,210,700	1,221	841
Available for sale investments	9	5,713	5,142	4	4
Premises & equipment (net)	10	113,451	120,547	79	84
Sundry debtors & other assets		65,592	31,364	45	22
TOTAL ASSETS		<u>74,866,760</u>	<u>47,442,133</u>	<u>52,006</u>	<u>32,956</u>

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEETS AS AT 31 DECEMBER 2001 AND 2000

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

		2001	2000	Convenience Translation	Convenience Translation
<u>LIABILITIES</u>	Note	<u>TL Billion</u>	<u>TL Billion</u>	<u>USD Million</u>	<u>USD Million</u>
Currency in circulation	11	5,282,660	7,113,423	3,670	4,941
Liabilities to Turkish Treasury	20	-	48,770	-	34
Due to banks & other financial institutions	12	19,357,094	13,483,170	13,446	9,366
Deposits by citizens abroad	13	17,342,991	14,657,496	12,047	10,182
Deposits by the public sector		2,699,646	2,205,377	1,875	1,532
Deposits by other institutions		1,261,349	873,470	876	607
Liabilities for securities sold under repurchase agreements		1,058,460	-	735	-
Liabilities to the International Monetary Fund	14	20,665,597	5,314,300	14,355	3,692
Corporate tax liability	18	352,244	32,535	245	23
Provisions	15	18,220	24,406	13	17
Sundry creditors & other liabilities		585,696	745,609	407	518
Deferred tax liability (net)	18	139,045	285,000	97	197
TOTAL LIABILITIES		68,763,002	44,783,556	47,766	31,109
<u>SHAREHOLDERS' EQUITY</u>					
Share capital	16	27,243	27,243	19	19
Reserves		2,507,571	1,983,478	1,742	1,378
Accumulated profit		3,568,944	647,856	2,479	450
TOTAL SHAREHOLDERS' EQUITY		6,103,758	2,658,577	4,240	1,847
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		74,866,760	47,442,133	52,006	32,956
COMMITMENTS AND CONTINGENCIES	21	111,589,285	213,449,960	77,515	148,274

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

			Convenience Translation	Convenience Translation
	2001	2000	2001	2000
	TL Billion	TL Billion	USD Million	USD Million
	Note			
<u>INTEREST INCOME</u>				
Interest income from bank placements				
	1,908,927	1,691,304	1,326	1,175
Interest income from marketable securities	6,844,873	244,845	4,755	170
Interest income from loans	159,361	16,714	111	12
Other interest income	109,035	218	76	-
	<u>9,022,196</u>	<u>1,953,081</u>	<u>6,268</u>	<u>1,357</u>
<u>INTEREST EXPENSE</u>				
Interest expense on deposits by citizens abroad	(2,645,879)	(1,523,520)	(1,838)	(1,058)
Interest expense on other deposits	(3,394,463)	(73,994)	(2,358)	(51)
Other interest expense	(30,519)	(33,057)	(21)	(23)
	<u>(6,070,861)</u>	<u>(1,630,571)</u>	<u>(4,217)</u>	<u>(1,132)</u>
NET INTEREST INCOME	<u>2,951,335</u>	<u>322,510</u>	<u>2,051</u>	<u>225</u>
<u>NON-INTEREST INCOME</u>				
Income from open market operations	9,428,663	3,001,805	6,550	2,085
Foreign exchange gains (net)	-	1,456,699	-	1,012
Commissions and income from services	30,232	26,209	21	18
Dividend received	3,906	2,428	3	2
	<u>9,462,801</u>	<u>4,487,141</u>	<u>6,574</u>	<u>3,117</u>
<u>NON- INTEREST EXPENSE</u>				
Expense from open market operations	(2,383,892)	(120,363)	(1,656)	(84)
Foreign exchange losses (net)	(443,276)	-	(308)	-
Commission expense	(398,329)	(454,572)	(277)	(316)
Other non-interest expense	(84,830)	(69,267)	(59)	(48)
	<u>(3,310,327)</u>	<u>(644,202)</u>	<u>(2,300)</u>	<u>(448)</u>
GENERAL ADMINISTRATIVE EXPENSE	(1,739,581)	(760,176)	(1,209)	(528)
INCOME BEFORE MONETARY LOSS & TAXATION	<u>7,364,228</u>	<u>3,405,273</u>	<u>5,116</u>	<u>2,366</u>
LOSS ON NET MONETARY POSITION	(1,644,638)	(274,109)	(1,143)	(190)
INCOME BEFORE TAXATION	<u>5,719,590</u>	<u>3,131,164</u>	<u>3,973</u>	<u>2,176</u>
TAXATION	(1,598,249)	(32,580)	(1,110)	(23)
NET INCOME	<u>4,121,341</u>	<u>3,098,584</u>	<u>2,863</u>	<u>2,153</u>

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

	Share Capital <u>TL Billion</u>	Reserves <u>TL Billion</u>	Accumulated Profit <u>TL Billion</u>	Total <u>TL Billion</u>
At 1 January 2000	27,243	1,628,509	1,678,127	3,333,879
Transfers to reserves		354,969	(354,969)	-
Dividends paid			(3,773,886)	(3,773,886)
Income for the year			3,098,584	3,098,584
At 31 December 2000	<u>27,243</u>	<u>1,983,478</u>	<u>647,856</u>	<u>2,658,577</u>
At 1 January 2001	27,243	1,983,478	647,856	2,658,577
Transfers to reserves		524,093	(524,093)	-
Dividends paid			(676,160)	(676,160)
Income for the year			4,121,341	4,121,341
At 31 December 2001	<u><u>27,243</u></u>	<u><u>2,507,571</u></u>	<u><u>3,568,944</u></u>	<u><u>6,103,758</u></u>

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

	2001	2000
	<u>TL Billion</u>	<u>TL Billion</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	4,121,341	3,098,584
Adjustments to reconcile net income to net cash provide by operating activities:		
Depreciation	16,730	14,762
Retirement pay provision	5,138	682
Provisions for loan losses	1,480,534	501,570
CHANGES IN OPERATING ASSETS & LIABILITIES		
Gold reserves	(217,467)	94,335
Marketable securities	(26,898,543)	(26,313)
Placements with banks	(1,937,457)	(2,522,071)
Loans	(2,027,368)	(1,284,402)
Other assets	(34,228)	21,930
Other liabilities	(171,232)	(171,162)
Currency in circularisation	(1,830,763)	1,132,990
Due to banks	5,873,924	1,008,297
Deposits	4,626,103	(2,809,569)
Corporate tax	319,709	18,389
Deferred tax	(145,955)	(652,101)
NET CASH USED IN OPERATING ACTIVITIES	<u>(16,819,534)</u>	<u>(1,574,079)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in equity participations	(571)	499
Additions to tangible fixed assets (net)	(9,633)	(10,177)
NET CASH USED IN INVESTMENT ACTIVITIES	<u>(10,204)</u>	<u>(9,678)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receivables of Treasury	(224,827)	2,530
Liabilities to International Monetary Fund	15,351,297	5,314,300
Dividends paid	(676,160)	(3,773,886)
NET CASH PROVIDED FROM FINANCING ACTIVITIES	<u>14,450,310</u>	<u>1,542,944</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,379,428)	(40,813)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,815,915	4,856,728
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>2,436,487</u>	<u>4,815,915</u>

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

1. ACTIVITIES OF THE BANK

The Central Bank of the Republic of Turkey (the "Bank") was incorporated in Turkey in 1931. It is established in the form of a joint stock company with the exclusive privilege of issuing banknotes in Turkey and is vested with the powers and duties set forth in Law Number 1211 of the Central Bank of the Republic of Turkey (the "Central Bank Law"). The Head Office of the Bank is located in Ankara. The Bank now operates a nationwide network of 21 branches, 4 foreign representatives and 1 liaison office abroad. The number of personnel as at 31 December 2001 is 5,470 .

2. BASIS OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with International Accounting Standards. The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of Presentation of Financial Statements

The Bank maintains its books of accounts and prepares its statutory financial statements in accordance with Turkish Commercial Practice and Tax Legislation and Law Number 1211 of the Central Bank of the Republic of Turkey (the "Central Bank Law"). According to the 57th and 58th articles of the Central Bank Law, the accounting period of the Bank is the calendar year. The Bank, prior to the General Assembly meeting, submits, to the Prime Ministry, the balance sheet and the income statement along with the annual report to be prepared as of the end of each calendar year. The balance sheet is published in the Official Gazette.

The accompanying financial statements are based on the statutory records which are maintained under the historical cost convention, with adjustments and reclassifications for the purposes of fair presentation in accordance with International Accounting Standards ("IAS"). In the opinion of the Bank's management, all adjustments necessary for a fair presentation of financial position, results of operations and cash flows for the period have been made in the accompanying financial statements.

Inflation Accounting

In the accompanying financial statements, restatement adjustments have been made to compensate for the effect of changes in the general purchasing power of the Turkish Lira, as of the balance sheet date, in accordance with International Accounting Standard No. 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29").

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

2. BASIS OF FINANCIAL STATEMENTS (cont'd)

Inflation Accounting (cont'd)

IAS 29 became applicable to financial statements in 1990. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. Such cumulative rate in Turkey was 307 % for the three years ended 31 December 2001, based on the wholesale price index announced by the Turkish State Institute of Statistics. IAS 29 requires that financial statements be stated in terms of the measuring unit current at the balance sheet date and corresponding figures for previous periods be restated in the same terms by applying a general price index. The restatement adjustments are based on the nationwide wholesale price index ("WPI") published by Turkish State Institute of Statistics (1994=100).

The index and corresponding conversion factors for recent year ends to reach balance sheet date money values are as follows:

	<u>Index</u>	<u>Conversion Factor</u>
31 December 1999	1,979.5	2.501
31 December 2000	2,626.0	1.885
31 December 2001	4,951.7	1.000

The comparative rates of currency deflation of the Turkish Lira against the US Dollar, compared with the rates of general price inflation in Turkey according to the WPI are set out below:

<u>Year:</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Currency Deflation US \$	114.3%	24.4%	72.7%	52.7%	90.5%
WPI Inflation	88.5%	32.7%	62.9%	54.3%	90.9%

In the accompanying financial statements figures are presented on TL Billion basis. At the year end exchange rate TL 1 billion corresponds to US \$ 694.65.

The principal adjustments related with inflation accounting are as follows :

- All amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index (the WPI). Corresponding figures for previous periods are similarly restated.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

2. BASIS OF FINANCIAL STATEMENTS (cont'd)

- Non-monetary assets and liabilities and the components of shareholders' equity are restated by applying, to the initial acquisition cost and any accumulated depreciation, the relevant conversion factors reflecting the increase in the WPI from the date of acquisition or initial recording to the balance sheet date. Revaluations made on any other basis in the statutory records are eliminated.
- All items in the statements of income are restated by applying the relevant conversion factors.
- The effect of general inflation on the Bank's net monetary position is included in the statements of income as monetary gain or loss.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of the accompanying financial statements are as follows:

3.1 Accounting Convention

The accompanying financial statements have been prepared in accordance with International Accounting Standards ("IAS").

The Bank maintains its accounting records and prepares its statutory accounts in accordance with Turkish legislation and the Central Bank Law. Where these regulations differ from IAS, certain accounts have been reclassified, combined, and in some cases recomputed, in order to comply with IAS. As a result, in the conversion of the accounts from Turkish statutory requirements to IAS, significant adjustments have been made to the Bank's statements of operations, assets, liabilities and shareholders' equity for the purposes of these financial statements.

3.2 Income and Expense Recognition

Interest and other income and expenses are recognized on the accrual basis, except for fees and commissions for various banking services rendered and dividends from equity participations which are recognized as income when received. All income and expense items are restated in equivalent purchasing power at the balance sheet date.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Foreign Currency Items

Transactions in foreign currencies are translated at the rates of exchange prevailing at the dates of the transactions.

Assets and liabilities denominated in foreign currencies are translated at year end exchange rates.

All exchange gains and losses arising on settlement and translation of foreign currency items are included in the income statement.

3.4 Convenience Translation of Financial Statements

For the convenience of the reader, the balance sheet and income statement of the Bank present translations of certain Turkish Lira amounts into US Dollars of the Turkish Lira bid rate announced by the Bank. Such convenience translations are not intended to comply with the provisions of IAS 21 ("The Effects of Changes in Foreign Exchange Rates") or Financial Accounting Standards Board Statement 52 ("Foreign Currency Translation") for the translation of financial statements in a highly inflationary economy.

The Bank rate of US \$ = TL 1,439,567 as of 31 December 2001 is used to translate the accompanying financial statements into US Dollars.

3.5 Gold Reserves

Gold is valued at the market value based on the prices quoted on the London exchange as of 31 December 2001 and on the basis of the equality of 1 ounce = 31.1035 grams.

3.6 Securities Portfolio

The Bank's securities portfolio primarily represents Government Bonds and Treasury Bills issued by foreign governments and international financial institutions and issued by the Turkish Treasury. The securities portfolio also includes purchases of securities under agreements of resale (reverse repo) and repurchases of securities under agreements of sale (repo).

Securities of foreign governments and other financial institutions are stated at market value.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Securities Portfolio (cont'd)

Turkish Government securities traded on the stock exchange are valued based on the prices quoted on the İstanbul Stock Exchange while non-traded ones are valued based on prices quoted in the Official Gazette.

Purchases of securities under agreements of resale (“reverse repo”) are arranged with other banks in Turkey and income is accrued on a straight-line basis over the period to maturity.

The carrying value of foreign currency denominated securities is translated into Turkish Lira at the exchange rates ruling at the balance sheet date.

Interest earned for holding securities are included in interest income. All gains or losses on sale of trading securities, and on investment securities if such transactions occur, are accounted for in the income statement for the period.

The Bank designates its securities portfolio in accordance with IAS 39 as follows:

Securities held for trading:

Securities held for trading are those acquired principally for the purpose of providing intra-day liquidity to the system whenever needed. Subsequent to initial recognition, held for trading securities are valued at their fair value if reliably measurable. Gains or losses on held for trading securities are included in net profit or loss for the period in which they arise.

Securities available for sale:

Available-for-sale securities are unquoted participations of the Bank and are stated at cost less any provision for impairment where necessary. The cost of participation is its original cost in foreign currency, translated at the exchange rate ruling at the balance sheet date.

3.7 Premises and Equipment

Premises and equipment are carried at restated cost less restated depreciation.. Premises and equipment are depreciated on a straight-line basis using rates which write off the assets over their expected useful lives. The main amortisation rates used are:

Buildings	2%
Vehicles	20%
Furniture and fittings	20%
Leasehold and leasehold improvements	lease term or 20%

Gains and losses on disposal of premises and equipment are determined by reference to their carrying value and are taken into account in determining operating profit.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Impairment

At each balance sheet date, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of (i) the sales price of the asset (less any selling costs); (ii) the present value of the cash flows which are expected to arise from future use of the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Corporate assets are not directly separable and independent from the other assets and operations of the Bank. Management of the Bank believes that there is no indication of internal or external factors implying any impairment of corporate assets.

3.9 Provision for Employee Termination Benefits

Under Turkish legislation as supplemented by union agreements, lump sum payments are made to all employees who retire or whose employment is terminated without due cause.

International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19") has been applied in the accompanying financial statements, including the following:

- An expected inflation rate and an appropriate discount rate are determined, the net of these being the real discount rate. This real discount rate is used to discount future retirement obligations to their present value at the balance sheet date.
- The anticipated rate of forfeitures is considered.

3.10 Related Parties

For the purpose of the accompanying financial statements the main shareholder of the Bank, the Turkish Treasury, is referred to as "Related Party" in this report.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Taxation and Deferred Taxes

Taxes on income for the year comprise of current tax and the change in deferred taxes. The Bank accounts for current and deferred taxation on the results for the period, in accordance with IAS 12 (Revised).

Provision is made in the financial statements for the Bank's estimated liability to Turkish corporation tax on its results for the year. The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed.

Deferred tax assets and liabilities are recognized using the liability method in respect of material temporary differences arising from different treatment of items for accounting and taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are only provided to the extent if it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the statement of income.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred income tax assets and liabilities are also offset.

3.12 Securities Under Resale or Repurchase Transactions

Purchases or sales of securities under agreements of resale or repurchase are short term and entirely involve debt (primarily government) securities. Sales of securities under agreements of repurchase ("Repos") are presented in the balance sheet under securities portfolio and respectively, corresponding counterparty liabilities are presented separately in the balance sheet. The net gain or loss on repo transactions is accrued over the period to maturity. Purchases of securities under agreements of resale ("reverse repos") are included in trading securities and interest income on such transactions is accrued on a straight line basis over the period to maturity.

3.13 Use of Estimates

The preparation of financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.14 Fair Values of Financial Instruments

The term financial instruments includes both financial assets and financial liabilities. Financial instruments are fundamental to the Bank's business and constitute the core element of its operations. The risks associated with financial instruments are a significant component of the risks faced by the Bank. Financial instruments create, modify or reduce the liquidity, credit and market risks of the Bank's balance sheet.

Fair value is the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The estimated fair values of financial instruments have been determined by the Bank using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate market value. Accordingly, the estimates presented herein may not necessarily be indicative of the amounts the Bank could realise in a current market exchange.

The fair values of certain financial assets carried at cost are considered to be representative of carrying values due to their short-term nature.

The following methods and assumptions were used to estimate the fair value of financial instrument for which it is practicable to estimate that value.

Placements with financial institutions: The carrying amount is a reasonable estimate of fair value.

Securities portfolio: Fair value is estimated using quoted market prices wherever applicable. For those where no market price is available, the carrying amounts in the books are estimated to be their fair values.

Deposits: Estimated fair value of public sector deposits, banking sector deposits and citizens abroad deposits are considered to approximate their respective carrying values due to their short term nature.

Securities under resale and repurchase agreements: The carrying amount is a reasonable estimate of fair value.

The fair values of balances denominated in foreign currencies which are translated at period end exchange rates along with related accrued interest are estimated to be their fair values.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Initial application of IAS 39

IAS 39 is applicable for the first time to financial statements for periods beginning on or after 1 January 2001. Since the effect of initial IAS 39 application is not material for the Bank, no adjustments have been made to the opening equity as at 1 January 2001 in the accompanying financial statements.

3.16 Risk Management

Through its normal operations, the Bank is exposed to a number of risks, the most significant of which are liquidity, credit, operational and market risk.

Liquidity risk

Liquidity risk is a substantial risk in Turkish markets, which exhibit significant volatility. The Bank is exposed to an inevitable degree of mismatch between the maturities of its assets and liabilities.

In order to manage this risk, the Bank measures and manages its cashflow commitments on a daily basis, and maintains liquid assets which it judges sufficient to meet its commitments.

Credit risk

Credit risk arises where the possibility exists of a counterparty defaulting on its obligations. The Bank carries credit risk mainly for loans granted and the interbank transactions for which the Bank acts as intermediary and is liable to counter-parties. The most important step in managing this risk is the initial decision whether or not to extend credit. The granting of credit is authorised at Board level or at appropriate levels of management depending on the size of the proposed commitment. The Bank places emphasis on obtaining sufficient collateral from borrowers.

The day-to day management of credit risk is devolved to individual business units, which perform regular appraisals of counterparty credit quantitative information.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.16 Risk Management (cont'd)

Market risk

Market risk is the risk that changes in the level of interest rates, currency exchange rates or the price of securities and other financial contracts, will have an adverse financial impact. Since the primary objective of the Bank is to achieve and maintain price stability, it determines on its own discretion the monetary policy that it will implement and the monetary policy instruments that it is going to use in order to achieve and maintain price stability. The main risks within the Bank's activities are interest rate and exchange rate risk. Turkish interest rates can be volatile, and a substantial part of the Bank's balance sheet is denominated in currencies other than the Turkish Lira (principally the US dollar and Euro-zone currencies).

Operational risk

Operational risk arises from the potential for financial loss or reputational damage as a result of inadequate systems (including systems breakdown), errors, poor management, breaches of internal controls, fraud or external events. The Bank's business units manage this risk through appropriate risk controls and loss mitigation actions. These actions include a balance of policies, procedures, internal controls and business continuity arrangements.

3.17 Offsetting

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

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4. CASH AND AMOUNTS DUE FROM BANKS

	2001 <u>TL Billion</u>	2000 <u>TL Billion</u>
Cash balances – Foreign currencies (“FC”)	1,555,413	596,207
Cash balances – Turkish Lira (“TL”)-Coins	1,803	6,441
Nostro and current accounts with other banks	879,271	4,213,267
	<u>2,436,487</u>	<u>4,815,915</u>

5. GOLD RESERVES

	2001 <u>TL Billion</u>	2000 <u>TL Billion</u>	2001 <u>Troy Ounces</u>	2000 <u>Troy Ounces</u>
Gold bullion in standard form	1,485,813	1,274,180	3,732,819	3,738,701
Gold in other forms	41,313	35,479	103,792	103,792
	<u>1,527,126</u>	<u>1,309,659</u>	<u>3,836,611</u>	<u>3,842,493</u>

2,650,284 troy ounces of gold in standard form includes gold held with correspondents.

TL 2,008 Billion of gold in other forms is kept in the Bank on behalf of the Turkish Treasury (31 December 2000: TL 3,786 Billion).

6. PLACEMENTS WITH BANKS & FINANCIAL INSTITUTIONS

	2001 <u>TL Billion</u>	2000 <u>TL Billion</u>
Time deposits	3,273,484	1,573,325
Interbank transactions-FC	3,767,448	2,768,798
Interbank transactions-TL	456,800	1,224,631
Accrued interest	9,975	3,496
	<u>7,507,707</u>	<u>5,570,250</u>

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6. PLACEMENTS WITH BANKS & FINANCIAL INSTITUTIONS (cont'd)

Time deposits are presented below:

<u>31 December 2001</u>	<u>Maturity</u>	<u>Interest Rate</u>
184,500,000 USD	02 January 2002	% 1.50 - % 1.74
2,328,000,000 EURO	02 January 2002 – 4 January 2002	% 3.21 - % 3.80
<u>31 December 2000</u>		
323,500,000 USD	2 January 2001	% 4.73 - % 4.78
9,000,000,000 JY	1 April 2001	% 0.65

Inter-bank transactions are placements among banks in Turkey for which the Bank acts as intermediary and is liable to counter-parties. Therefore, placements are recorded in the balance sheet as receivables from, and liabilities to, domestic banks.

7. SECURITIES PORTFOLIO

	2001	2000
	<u>TL Billion</u>	<u>TL Billion</u>
Foreign government bonds & treasury bills	21,337,595	21,913,345
Turkish Government bond & treasury bills	33,400,578	2,856,639
Securities held due to repo transactions (reverse repo)	5,424,700	9,379,012
Securities sold with agreements to repurchase (repo)	1,053,000	-
Accrued interest	61,225	229,560
	<u>61,277,098</u>	<u>34,378,556</u>
Due within one month	8,827,359	11,779,563
Due within one-three months	11,458,263	3,264,894
Due within one year	7,561,233	10,439,313
Due within one-five years	14,099,820	8,508,361
Due over five years	19,330,423	386,425
	<u>61,277,098</u>	<u>34,378,556</u>

Foreign government bonds & treasury bills are the reserves of the Bank held in foreign institutions. These securities can be liquidated when needed.

The portfolio is mainly held to enable the Bank to provide stability in Turkish markets.

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7. SECURITIES PORTFOLIO (cont'd)

The nominal value and maturities of the securities are presented below:

<u>Foreign Currency</u>	<u>Maturity</u>	2001 <u>Nominal Value</u>	2000 <u>Nominal Value</u>
USD	< 1 month	755,000,000 USD	200,000,000 USD
	< 3 months	2,826,500,000 USD	850,000,000 USD
	< 1 year	1,661,000,000 USD	1,307,300,000 USD
	< 5 year	1,086,200,000 USD	1,747,500,000 USD
	> 5 year	-	22,000,000 USD
			<u>6,328,700,000 USD</u>
EURO	< 1 month	1,241,064,594 Euro	1,550,000,000 Euro
	< 3 months	1,492,203,350 Euro	1,634,000,000 Euro
	< 1 month	3,929,725,128 Euro	5,079,964,594 Euro
	< 5 year	2,178,333,505 Euro	5,050,420,198 Euro
	> 5 year	-	301,000,000 Euro
			<u>8,841,326,577 Euro</u>
SDR	< 3 months	2,959,000,000 SDR	-
	< 5 year	4,625,579,154 SDR	-
		<u>7,584,579,154 SDR</u>	<u>-</u>
TL	< 1 month	16,369,115 TL Billion	17,975,289 TL Billion
	< 3 months	77,936 TL Billion	561,169 TL Billion
	< 1 year	57,368 TL Billion	4,491,269 TL Billion
	< 5 year	1,000,000 TL Billion	-
	> 5 year	17,778,024 TL Billion	-
			<u>35,028,443 TL Billion</u>

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8. LOANS (NET)

	2001 <u>TL Billion</u>	2000 <u>TL Billion</u>
Domestic loans	1,448,888	933,243
Foreign loans	263,219	263,494
Overdue loans	1,777,871	1,499,973
	<u>3,489,978</u>	<u>2,696,710</u>
Accrued interest	45,427	13,963
Total Loans	<u>3,535,405</u>	<u>2,710,673</u>
Less: Provisions	(1,777,871)	(1,499,973)
Total loans (net)	<u><u>1,757,534</u></u>	<u><u>1,210,700</u></u>

9. AVAILABLE FOR SALE INVESTMENTS

The Bank's participations are as follows as of 31 December 2001:

<u>Investee</u>	Ownership %	2001 <u>TL Billion</u>	2000 <u>TL Billion</u>
S.W.I.F.T	0.02	12	12
Bank for International Settlements-BASEL	1	5,701	5,130
		<u>5,713</u>	<u>5,142</u>

10. PREMISES AND EQUIPMENT (NET)

	2001 <u>TL Billion</u>	2000 <u>TL Billion</u>
Lands	14,290	14,290
Buildings	100,964	101,760
Immovables	82,395	73,882
	<u>197,649</u>	<u>189,932</u>
Less: Accumulated depreciation	(84,198)	(69,385)
Premises and equipment (net)	<u><u>113,451</u></u>	<u><u>120,547</u></u>

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11. CURRENCY IN CIRCULATION

	2001 <u>TL Billion</u>	2000 <u>TL Billion</u>
Balance at 1 January	7,113,423	5,980,433
Inflation effect of carrying opening balances	(3,341,011)	(1,472,334)
Banknotes issued into circulation	33,748,462	44,268,500
Banknotes withdrawn from circulation and destroyed	(32,238,214)	(41,663,176)
Balance at 31 December	<u>5,282,660</u>	<u>7,113,423</u>

12. DUE TO BANKS & OTHER FINANCIAL INSTITUTIONS

	2001 <u>TL Billion</u>	2000 <u>TL Billion</u>
Compulsory reserve deposits from banks	7,754,497	7,417,941
Current accounts of banks	5,112,869	4,480,928
Deposits of banks	6,147,100	1,224,631
Compulsory reserve deposits from private financial institutions	194,119	275,274
Deposits of foreign banks	101,031	63,426
Other accounts	1,195	1,207
Accrued interest	46,283	19,763
	<u>19,357,094</u>	<u>13,483,170</u>

Compulsory reserve deposits represent the amount deposited by banks which is based on a proportion of all deposits they have taken from customers, other than domestic interbank deposits, according to banking regulations in Turkey.

13. DEPOSITS BY CITIZENS ABROAD

Deposits by citizens abroad consists of deposits by Turkish citizens living outside of Turkey.

The breakdown of the deposits by foreign currency type is as follows:

<u>Foreign Currency Type</u>	<u>Foreign Currency Balance</u>	31 December 2001 <u>TL Billion</u>
EUR	11,215,422,694	14,222,446
USD	850,289,393	1,224,049
CHF	120,602,922	103,054
Other	5,257,255	7,568
Accrued interest		1,785,875
		<u>17,315,992</u>

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13. DEPOSITS BY CITIZENS ABROAD (cont'd)

<u>Foreign Currency Type</u>	<u>Foreign Currency Balance</u>	31 December 2000
		<u>TL Billion</u>
DEM	19,898,002,730	11,866,434
USD	475,995,847	602,948
NLG	910,692,550	482,012
Other	289,639,271	366,890
Accrued interest		1,339,212
		<u>14,657,496</u>

Maturities vary between one to three years. Interest rates for USD and EUR(DEM) with one year and two years maturity are 7% and 9.5%, respectively (31 December 2000: 6% and 8.5%). For deposit accounts having higher balances, interest rates become 10% and 11% and maturities are realised as two to three years.

14. LIABILITIES TO INTERNATIONAL MONETARY FUND

The bank is designated as "the depository institution" to regulate the relations of Turkey with the IMF.

Turkey has purchases from the General Resource Account of the IMF, based on Stand By Arrangements signed as of December 1999 and 2000. Stand-by arrangements support short-term balance of payments needs within a given period, such as one to two years. Turkey's purchases include Supplemental Reserve Facility, short term financing in excess of the above normal access limits for those members experiencing severe balance of payment difficulties arising from a sudden loss of market confidence. General Resource Account borrowings are determined by the IMF based on the quota of the debtor country. Turkey's quota is 964,000,000 SDR, last updated in 1999.

The borrowings from the International Monetary Fund (IMF) are denominated in special drawing rights (SDR), an international reserve asset created by the IMF in 1969.

<u>Borrowings from general resources of IMF</u>	31 December 2001	31 December 2000
	<u>SDR</u>	<u>SDR</u>
Stand-by arrangements	5,954,960,000	1,108,600,000
Supplementary reserve facility	4,916,400,000	1,735,200,000
Credit tranche - earthquake aid	361,500,000	361,500,000
	<u>11,232,860,000</u>	<u>3,205,300,000</u>

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14. LIABILITIES TO INTERNATIONAL MONETARY FUND (cont'd)

According to IMF arrangements, the TL equivalent of the granted SDR amount is recorded in the balance sheet of the Bank as a liability. As of the year end, the TL liability is adjusted for SDR currency rate changes. The TL liability to the IMF is TL 5,314,300 Billion and TL 20,665,597 Billion as of 31 December 2000 and 2001, respectively.

<u>Borrowings from SDR department</u>	31 December 2001	31 December 2000
	SDR	SDR
Net cumulative allocation	112,307,000	112,310,000
SDR holdings	(3,562,693)	(21,877,000)
	<u>108,744,307</u>	<u>90,433,000</u>

SDR allocation is an extension to each member from the SDR department. Each member has the right to use this asset with a charge but no obligation to pay it back. This amount has not been booked, whereas accrued charges are booked. SDR holdings account is the asset of TCMB and booked as SDR reserve.

In the year 2001, 7,584,579,154 SDR of IMF borrowings are lent to the Treasury against securities issued by the Treasury with coupon payment maturities and interest rates the same as the IMF charge payments. The payable is presented in the liability side of the balance sheet as "Liabilities to International Monetary Fund" while securities are followed in the "Securities Portfolio" in assets.

Turkey's IMF borrowings have been presented in the Bank's financial statements until February 2002. 2002 borrowings have been transferred directly to the Turkish Treasury. Therefore, subsequent period borrowings are not presented in the Bank's financial statements. Meanwhile, a borrowing of 7,326,400,000 SDR as of February 2002 has been transferred to the Treasury by the IMF. As of the same date, outstanding the Supplementary Reserve Facility of 4,916,400,000 SDR has been paid in total by Turkey. 2,959,919,154 SDR has been paid by the Treasury, and the remaining balance of 1,956,480,846 SDR has been paid by the Bank.

74,962,937 SDR (TL 136,080 Billion) charge expense and 449,312 SDR (TL 816 Billion) remuneration income is accrued as of 31 December 2001.

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15. PROVISIONS

	2001	2000
	<u>TL Billion</u>	<u>TL Billion</u>
Retirement pay provision	16,012	20,506
Other	2,208	3,900
	<u>18,220</u>	<u>24,406</u>

Retirement Pay Provision:

Lump sum payments are made to all employees who retire from the Bank or whose employment is terminated for reasons other than misconduct.

Under the definitions contained in International Accounting Standard No 19, "Employee Benefits" the Turkish retirement pay system is an unfunded defined benefit scheme. Consequently IAS 19 requires that a provision be built up for employees' accrued entitlement as calculated actuarially.

In the accompanying financial statements the provision has been made on an estimated basis in compliance with International Accounting Standard No 19.

16. SHARE CAPITAL

<u>Shareholders</u>	2001		2000	
	<u>TL Billion</u>	%	<u>TL Billion</u>	%
Turkish Treasury	14	55	14	55
T.C. Ziraat Bankası A.Ş.	5	19	5	19
Other	6	26	6	26
	<u>25</u>	<u>100</u>	<u>25</u>	<u>100</u>
Effect of inflation	27,218		27,218	
	<u>27,243</u>		<u>27,243</u>	

According to 5th article of the Central Bank Law, the capital of the bank is TL 25 billion and is divided into 250,000 shares, with a value of TL 100,000 each. The capital may be increased with the approval of the Government. The shares are divided into (A), (B), (C), and (D) shares. The (A) group shares belong solely to the Turkish Treasury while (B) belongs to national banks, (C) shares belong to banks other than the national banks and to companies possessing certain privileges and (D) shares belong to Turkish commercial institutions and to legal and real persons of Turkish nationality.

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17. GENERAL ADMINISTRATIVE EXPENSE

	2001 <u>TL Billion</u>	2000 <u>TL Billion</u>
Payroll expense	182,396	184,025
Provisions	1,480,534	501,570
Banknote printing expense	31,637	29,088
Depreciation expense	16,730	14,762
Other	28,284	30,731
	<u>1,739,581</u>	<u>760,176</u>

18. TAXATION

The Bank is subject to Turkish corporation tax which is applied at the rate of 30% on taxable corporate income for accounting periods starting on or after 1 January 1999. A tax surcharge is additionally applied at the rate of 10% on the corporation tax amount.

In addition to corporation tax, income withholding tax is charged on profits after corporation tax if dividends are distributed. Consequently, if profits are retained, companies' effective tax rate is 33% from 1999 onwards, and, if profits are distributed there are additional withholding taxes. The withholding rates are 5% for publicly traded and 15% for non-public companies.

The Bank recognises deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IAS and tax purposes.

a) Balance sheet:

	2001 <u>TL Billion</u>	2000 <u>TL Billion</u>
Corporate tax	1,610,346	453,974
Prepaid taxes	(1,258,102)	(421,439)
	<u>352,244</u>	<u>32,535</u>
Deferred tax asset	(2,432,759)	(492,134)
Deferred tax liability	2,571,804	777,134
	<u>139,045</u>	<u>285,000</u>

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18. TAXATION (cont'd)

b)Income statement

	2001 <u>TL Billion</u>	2000 <u>TL Billion</u>
Corporate tax charge	1,610,346	453,974
Deferred tax charge (benefit)	(12,097)	(421,394)
	<u>1,598,249</u>	<u>32,580</u>

The deferred taxes (at 33%) on major temporary differences as at the balance sheet are as follows:

	2001 <u>TL Billion</u>	2000 <u>TL Billion</u>
Fixed assets indexation	(208)	(7,083)
Retirement pay provision	(2,776)	(6,768)
Revaluation of liabilities to IMF	(2,429,775)	(359,564)
Revaluation of loans granted	225,264	(4,234)
Transfer of valuation account to income statement	2,346,540	777,137
Market value adjustment of foreign securities	-	(114,488)
Net deferred tax (assets) / liabilities	<u>139,045</u>	<u>285,000</u>

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19. MATURITY ANALYSIS OF THE BALANCE SHEET

Maturities of assets and liabilities as at 31 December 2001:

	Demand <u>TL Billion</u>	Up To 1 Month <u>TL Billion</u>	From 1 Month To 3 Months <u>TL Billion</u>	From 3 Months To 1 Year <u>TL Billion</u>	1 Year and More Than 1 Year <u>TL Billion</u>	Total <u>TL Billion</u>
ASSETS						
Cash and amounts due from banks	2,436,487	-	-	-	-	2,436,487
Gold reserves	1,527,126	-	-	-	-	1,527,126
Placements with banks & financial institutions	-	7,507,707	-	-	-	7,507,707
Trading securities	-	8,827,359	11,458,263	7,561,233	33,430,243	61,277,098
Receivable from Turkish Treasury	-	-	-	176,052	-	176,052
Loans (net)	6,784	19,847	16,270	23,928	1,690,705	1,757,534
Available for sale investments	5,713	-	-	-	-	5,713
Premises & equipment	113,451	-	-	-	-	113,451
Sundry debtors & other assets	62,459	1,055	-	2,078	-	65,592
Total	4,152,020	16,355,968	11,474,533	7,763,291	35,120,948	74,866,760
LIABILITIES						
Currency in circulation	5,282,660	-	-	-	-	5,282,660
Liabilities to Turkish Treasury	-	-	-	-	-	-
Due to banks & other financial institutions	1,195	19,355,899	-	-	-	19,357,094
Deposits by citizens abroad	-	-	-	-	17,342,991	17,342,991
Deposits by public sector	2,699,646	-	-	-	-	2,699,646
Deposits by other institutions	-	1,261,349	-	-	-	1,261,349
Liabilities for securities sold under repurchase agreements	1,058,460	-	-	-	-	1,058,460
Liabilities to International Monetary Fund	-	-	-	-	20,665,597	20,665,597
Corporate tax liability	-	-	-	352,244	-	352,244
Provisions	18,220	-	-	-	-	18,220
Sundry creditors & other liabilities	585,696	-	-	-	-	585,696
Deferred tax liability	-	-	-	-	139,045	139,045
Share capital	27,243	-	-	-	-	27,243
Reserves	2,507,571	-	-	-	-	2,507,571
Accumulated profit	-	-	-	3,568,944	-	3,568,944
Total	12,180,691	20,617,248	-	3,921,188	38,147,633	74,866,760

The maturity analysis for certain asset and liability items is estimated.

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19. MATURITY ANALYSIS OF THE BALANCE SHEET (cont'd)

Maturities of assets and liabilities as at 31 December 2000:

	Demand TL Billion	Up To 1 Month TL Billion	From 1 Month To 3 Months TL Billion	From 3 Months To 1 Year TL Billion	1 Year and More Than 1 Year TL Billion	Total TL Billion
ASSETS						
Cash and amounts due from banks	4,815,915	-	-	-	-	4,815,915
Gold reserves	1,309,659	-	-	-	-	1,309,659
Placements with banks & financial institutions	-	5,570,250	-	-	-	5,570,250
Trading securities	-	11,779,563	3,264,894	10,439,313	8,894,786	34,378,556
Receivable from Turkish Treasury	-	-	-	-	-	-
Loans (net)	5,031	29,484	6,351	14,230	1,155,604	1,210,700
Available for sale investments	5,142	-	-	-	-	5,142
Premises & equipment	120,547	-	-	-	-	120,547
Sundry debtors & other assets	31,364	-	-	-	-	31,364
Total	6,287,658	17,379,297	3,271,245	10,453,543	10,050,390	47,442,133
LIABILITIES						
Currency in circulation	7,113,423	-	-	-	-	7,113,423
Liabilities to Turkish Treasury	-	-	-	48,770	-	48,770
Due to banks & other financial institutions	1,207	13,481,963	-	-	-	13,483,170
Deposits by citizens abroad	-	-	-	-	14,657,496	14,657,496
Deposits by public sector	2,205,377	-	-	-	-	2,205,377
Deposits by other institutions	-	873,470	-	-	-	873,470
Liabilities for securities sold under repurchase agreements	-	-	-	-	-	-
Liabilities to International Monetary Fund	-	-	-	-	5,314,300	5,314,300
Corporate tax liability	-	-	-	32,535	-	32,535
Provisions	24,406	-	-	-	-	24,406
Sundry creditors & other liabilities	745,609	-	-	-	-	745,609
Deferred tax liability	-	-	-	-	285,000	285,000
Share capital	27,243	-	-	-	-	27,243
Reserves	1,983,478	-	-	-	-	1,983,478
Accumulated profit	-	-	-	647,856	-	647,856
Total	12,100,743	14,355,433	-	729,161	20,256,796	47,442,133

The maturity analysis for certain asset and liability items is estimated.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

20. RELATED PARTY TRANSACTIONS AND BALANCES

The accompanying financial statements include the following related party transactions and balances:

	<u>2001</u> <u>Billion TL</u>	<u>2000</u> <u>Billion TL</u>
<u>Turkish Treasury</u>		
<u>Receivables</u>		
Securities portfolio		
Treasury Bills	20,582,619	2,856,639
Treasury Bills indexed to foreign currency	13,876,893	-
Gold reserve	4,422	3,786
Foreign currency differences of foreign debts	176,052	-
<u>Liabilities</u>		
Corporate tax	352,244	32,535
Other tax payables	-	48,770
Deposits	1,363,776	1,031,869
<u>Income</u>		
Income from short term advances granted	-	5,116
Income from open market operations	5,399,685	191,363
Income obtained at the maturity of securities	-	948
<u>Expenses</u>		
Special transaction tax and training support share	31	24,493

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(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

21. COMMITMENTS AND CONTINGENCIES

	2001 <u>TL Billion</u>	2000 <u>TL Billion</u>
Securities in custody	102,766,391	187,016,313
Securities held as collateral	8,822,894	26,433,647
	<u>111,589,285</u>	<u>213,449,960</u>

The foreign currency position of the Bank can be summarized as follows:

	2001 <u>TL Billion</u>	2000 <u>TL Billion</u>
Total foreign currency assets	48,944,032	33,900,991
Total foreign currency liabilities	(29,927,589)	(24,737,500)
Net foreign currency position	<u>19,016,443</u>	<u>9,163,491</u>

22. OTHER MATTERS

Economic and Financial Crisis:

Since February 2001, Turkey has experienced a contraction in economic activities and volatility in foreign currency rates, capital and money markets. A new program including various regulations which was introduced in May 2001 in order to strengthen the economic and legal infrastructure as in developed markets is ongoing. Although the effects of volatility in economic indicators and markets are continuing, the accompanying financial statements reflect the effects, so far as they are known and can be estimated, of the economic and financial crisis.