CENTRAL BANK OF THE
REPUBLIC OF TURKEY

ANNUAL REPORT 2009

CENTRAL BANK OF THE REPUBLIC OF TURKEY JOINT STOCK COMPANY

2009 ANNUAL REPORT DRAWN UP BY THE BOARD FOR
THE SEVENTY-EIGHTH ACCOUNTING YEAR

Submitted to
THE GENERAL ASSEMBLY OF SHAREHOLDERS
On April 20, 2010

ANKARA
2010

Annual Report 2009

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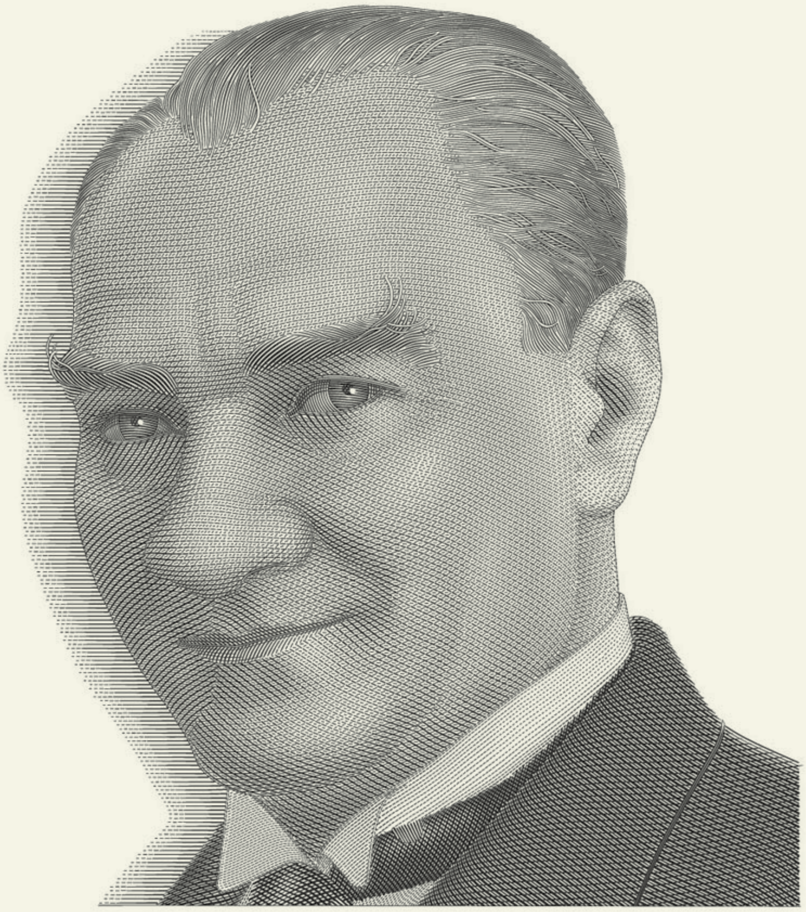

Portrait, E-9 Emission Group
Depicted on the front of denominations of 100 TL and 200 TL from Series 1

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ABBREVIATIONS

BIMER	Communication Center of the Prime Ministry
BIS	Bank for International Settlements
BRSA	Banking Regulation and Supervision Agency
CBRT	Central Bank of the Republic of Turkey
CLS	Continuous Linked Settlement
CPI	Consumer Price Index
CPSS	Committee on Payment and Settlement Systems
ECB	European Central Bank
EU	European Union
Fed	The Federal Reserve Board of USA
FXRIC	Foreign Exchange Risk and Investment Committee
GDP	Gross Domestic Product
IBAN	International Bank Account Number
ICH	Interbank Clearing Houses Center
IMF	International Monetary Fund
MPC	Monetary Policy Committee
MTP	Medium-Term Program
OIC	Organization of the Islamic Conference
OPEC	Organization of the Petroleum Exporting Countries
SB	Strategic Benchmark
SCA	Special CPI Aggregates
SCA-H	Special CPI Aggregates H Index
SCA-I	Special CPI Aggregates I Index
SEPA	Single Euro Payments Area
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TARP	Troubled Asset Relief Program
TIC-ESTS	Turkish Interbank Clearing – Electronic Security Transfer and Settlement System
TIC-RTGS	Turkish Interbank Clearing – Real Time Gross Settlement System
TL	Turkish Lira
TURKSTAT	Turkish Statistical Institute
USA	United States of America

FOREWORD

During the global crisis, real interest rates went down progressively on the back of CBRT's rate cuts and declined to all-time lows.

During the global crisis, real market interest rates went down progressively on the back of the rate cuts by the Central Bank of Turkey and declined to all-time lows.

The global crisis, which first erupted in advanced financial markets and deepened starting from the fourth quarter of 2008 to spread globally, continued to threaten economic and financial stability throughout 2009. The contraction in financing facilities and foreign trade volume driven by the crisis led to a significant slowdown in the Turkish economy as well as in other emerging economies in the first half of 2009. Meanwhile, worrisome levels of public borrowing, the partial continuance of credit market problems and persistent high levels of unemployment suggest that permanent elimination of global economic problems will take a long time. Moreover, ongoing uncertainties regarding the exit strategies from unconventional fiscal and monetary stimulus packages, implemented globally in the said period, continue to pose risks to the sustainability of the recovery process.

Anticipating that inflation would decrease sharply as of the last quarter of 2008, the Central Bank of Turkey (CBT), without prejudice to its primary objective of price stability, followed a monetary policy focusing on alleviating the potentially harsh impact of the global financial crisis on the domestic economy. Within this scope, the Central Bank launched the monetary expansion process in November 2008 and became a pioneer in cutting policy rates among the central banks of emerging markets. At the height of the crisis between November 2008 and April 2009, the Central Bank adopted a front-loaded policy by cutting policy rates by a total of 7 points.

Despite signals of partial recovery in domestic economic activity as of the second half of 2009, judging that uncertainties pertaining to the strength and permanence of recovery in demand persisted, the Central Bank continued to ease policy rates, based on projections that recovery in economic activity and employment conditions would take a significant period of time. Accordingly, policy rates were further eased by a total of 3.25 points from May 2009 until the end of 2009. Thus, Turkey lowered policy rates more than any other emerging market operating within an inflation-targeting framework.

In this period, real market interest rates went down progressively on the back of the Central Bank's rate cuts and declined to all-time lows. Even though falling real rates during times of recession is an expected incident in well-functioning economies, it is an unprecedented case for Turkey. In this sense, the current level of real rates is a positive indicator for the effectiveness of monetary policy. Studies conducted by the CBT indicate that policy rate cuts have been instrumental in alleviating the impact of excessive fluctuations in economic activity.

The developments as of the onset of policy rate-cuts have confirmed the Central Bank's projections pertaining to the magnitude of the crisis, its impact on economic activity and the inflation outlook and have verified the accuracy of the Central Bank's policy decisions. This, in return, bolstered the effectiveness of the Central Bank's measures on financial variables and expectations. At a time marked by the expectation of an upward pressure on medium and long-term interest rates on account of rising levels of public debt worldwide coupled with the elevated sensitivity of the markets

The Central Bank will formulate its future monetary policy implementations in the light of its experiences and with an awareness of its built-up credibility.

to risk appetite, the CBT's policy rates remained the main determinant of market rates in Turkey indicating the improved effectiveness of monetary policy.

The global financial crisis has not only revealed the fragility of the financial markets of the advanced economies, which have traditionally been assumed to be safe havens, but also shown that not all emerging economies are as risky as once believed. Turkey became the only country whose credit rating was raised by two notches in that period and this verifies the soundness of its economic and financial system. Turkey owes this improvement to the gains achieved in its fight against inflation, improvements in the fiscal discipline and the resilience of the banking system. With all these features, we believe that Turkey will be among the fastest-growing countries during the exit process.

Consumer prices inflation, which was 6.5 percent at end-2009, remained within the uncertainty band, albeit staying below the set target of 7.5 percent. For a central bank implementing an inflation-targeting regime, inflation significantly undershooting the target is equally undesirable as inflation overshooting the target. In the immediate global financial crisis, Turkey did not go through a deflationary process and inflation was prevented to deviate from the target by a significant margin. These facts enhanced confidence in the monetary policy implementation of the CBT.

The developments over the last year confirm that inflation targeting is a flexible regime that enables a timely response to economic shocks. Recent experience has confirmed that the Central Bank can focus on sudden slumps in growth and employment driven by external factors, provided that it does not conflict with its price stability objective. The Central Bank will formulate its future monetary policy implementations in the light of its experiences and with an awareness of its built-up credibility.

Another major development for Turkey in 2009 was that the Money Reform, which had started in 2005 with dropping six zeros off banknotes and putting the New Turkish lira banknotes and coins into circulation, was completed with the removal of the prefix "New" from the currency. All banknotes and coins were renamed as "Turkish lira" and "Kuruş" and they entered into circulation on 1 January 2009 with new designs, sizes and enhanced security features. The CBT is one of the central banks, which is capable of producing banknotes at its own facilities from the design phase to printing and distribution and we are proud to have completed the Money Reform successfully.

The Annual Meetings of the Boards of Governors of the World Bank Group and the IMF, which are held in a member country other than the United States every third year, were held in Istanbul in 2009. The Central Bank of Turkey played an active role in organizing the meetings and successfully did its share by collaborating with other related institutions. Istanbul hosted 13,713 visitors during the meetings that took place on 6-7 October 2009.

Meanwhile, bilateral relations with central banks, especially with those of our neighbors, are growing stronger. We are not only enriching our monetary policy knowledge by the experiences of other countries, but also doing our utmost to contribute to other central banks.

Owing to the effectiveness of the CBT's communication policy pursued within the framework of the inflation targeting strategy, significant progress has been made also in 2009, in areas of accountability, transparency and predictability. The Central Bank of Turkey's website, prolific reporting system and press releases have played an important role in reinforcing our communication with the public. Meanwhile, developments in our communication implementation with respect to quality and content reflect the importance we attach to effective communication.

We hereby present to you, our esteemed shareholders, the Annual Report, in which the 2009 activities are outlined and balance sheet details are elaborated.

In the period ahead, the Central Bank of Turkey will continue to take the necessary measures to shield the economy from the global financial crisis as in 2009, unless contradictory to our primary objective of price stability. The robust institutional structure of the Central Bank of Turkey and the contribution of our qualified staff will, as always, be the guarantee of our success in 2010, which we predict to be an important and challenging year in terms of the tasks lying ahead of us.

I am grateful to all my colleagues for their devoted work and contributions.

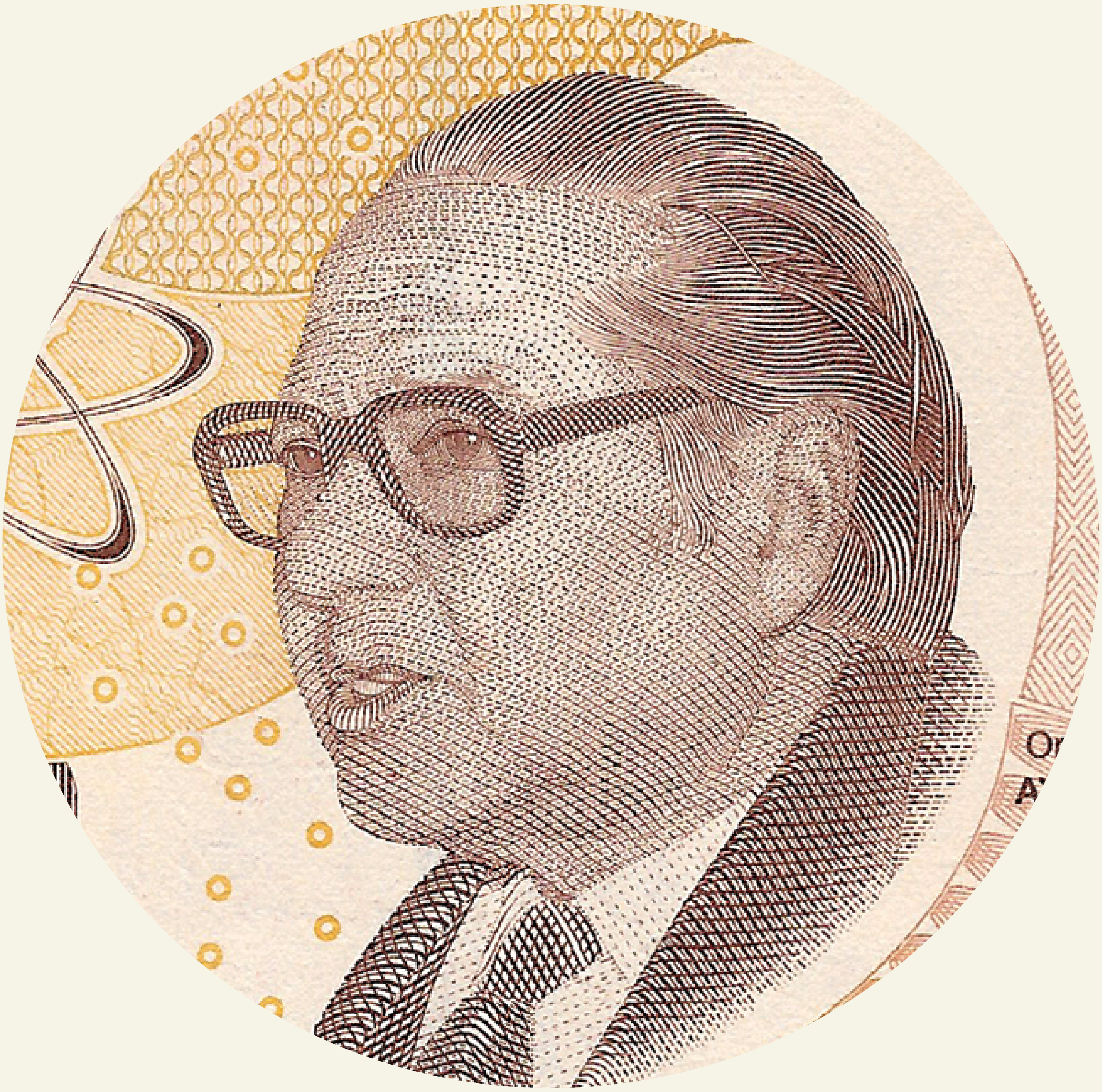
Durmuş Yılmaz
Governor

PART 1 GOVERNING BODIES

5 TL

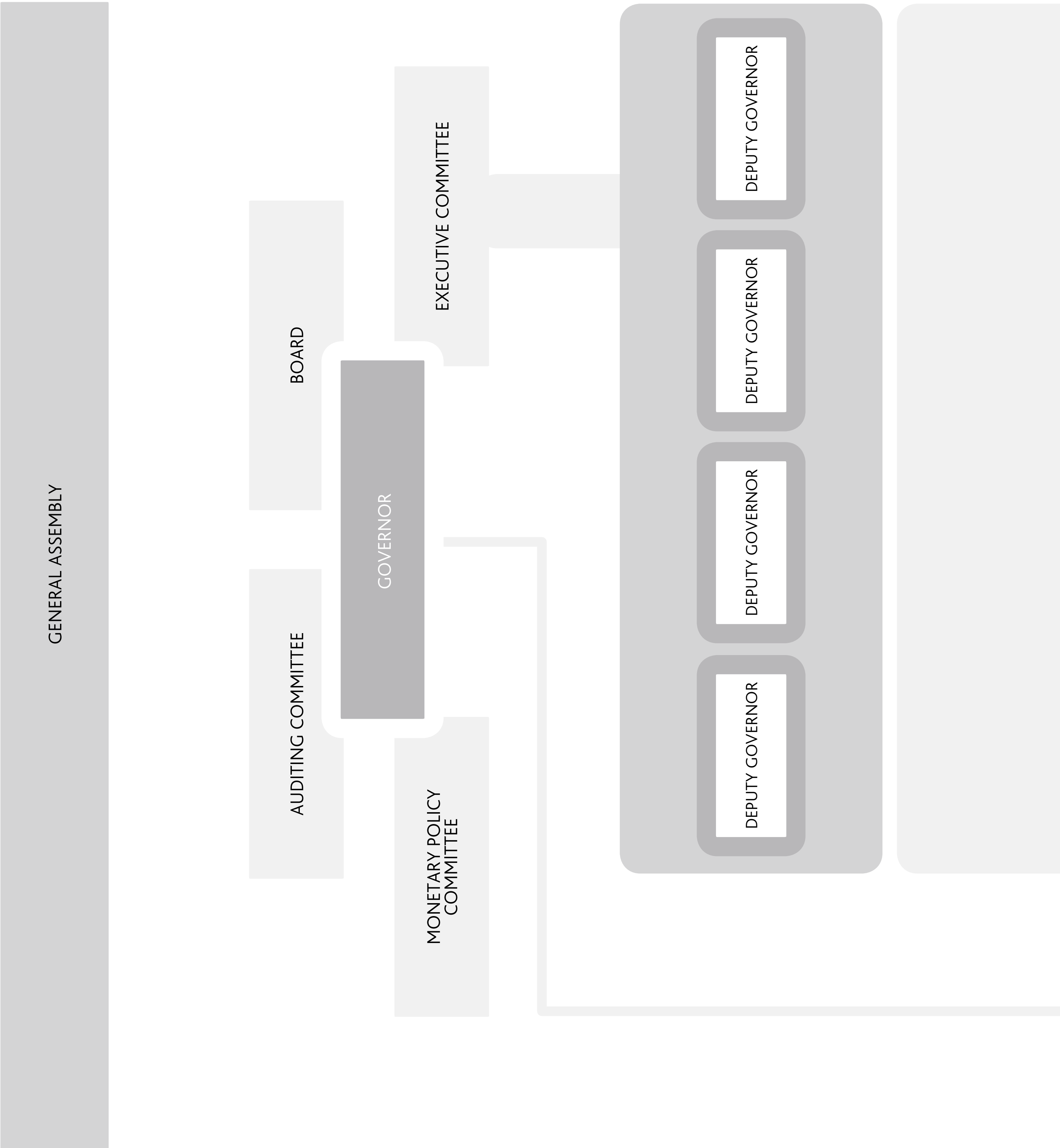
AYDIN SAYILI

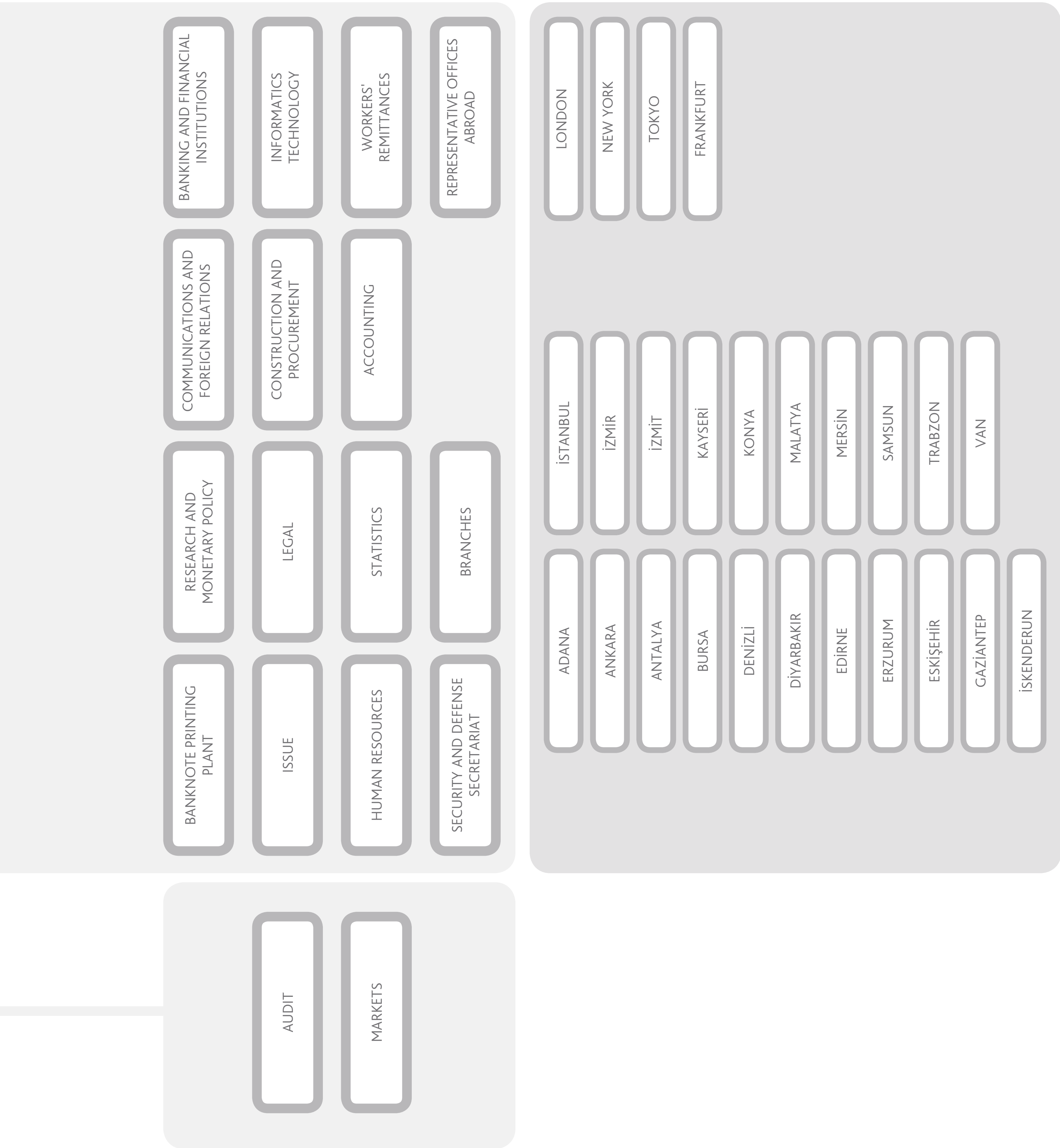
Ordinarius Prof. Aydın Sayılı (1913-1993), as far as it is known, was awarded the world's first PhD degree for history of science. Sayılı, who had adopted scientific study as a lifestyle, created a total of 140 works in various languages, eight of which are books, relying mostly on first-hand sources in his field.



Portrait, E-9 Emission Group
Depicted on the back of the 5 TL denomination from Series 1

1.1. ORGANIZATION CHART




BANKNOTE PRINTING PLANT
RESEARCH AND MONETARY POLICY
COMMUNICATIONS AND FOREIGN RELATIONS
BANKING AND FINANCIAL INSTITUTIONS
ISSUE
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CONSTRUCTION AND PROCUREMENT
INFORMATICS TECHNOLOGY
HUMAN RESOURCES
STATISTICS
ACCOUNTING
WORKERS' REMITTANCES
SECURITY AND DEFENSE SECRETARIAT
BRANCHES
REPRESENTATIVE OFFICES ABROAD
AUDIT
MARKETS
ADANA
ANKARA
ANTALYA
BURSA
DENİZLİ
DİYARBAKIR
EDİRNE
ERZURUM
ESKİŞEHİR
GAZİANTEP
İSKENDERUN
İSTANBUL
İZMİR
İZMİT
KAYSERİ
KONYA
MALATYA
MERSİN
SAMSUN
TRABZON
VAN
LONDON
NEW YORK
TOKYO
FRANKFURT

1.2. BOARD

From Left to Right; Prof. Turalay Kenç, Mehmet Vehbi Çıtak, Prof. Mustafa İlker Parasız, Durmuş Yılmaz, Prof. Necdet Şensoy, Necati Şahin, Assoc. Prof. Lokman Gündüz

The Board is composed of the Governor and six members to be elected by the General Assembly. The term of office of Board members is three years and a third of Board members are replaced each year. The Governor is the Chairman of the Board. The Board meets at least once a month at the request of the Governor. The Board convenes with the participation of at least two-thirds of the members and renders a decision by the majority of the members present.

Making decisions concerning the monetary policy to be implemented and monetary policy instruments to be utilized in compliance with the inflation target; setting forth regulations on the banknotes in circulation; making regulations regarding open market operations, foreign exchange operations, interest rates relating to rediscount and advance operations, reserve requirements and instruments, the management of gold and foreign exchange reserves of the country; preparing the budget, annual report, balance sheet, income statements and the agenda at the General Assembly of the Bank and approving regulations regarding the administration, organization, services and personnel of the Bank are among the duties and powers of the Board. Within this framework, the Board made 140 decisions at 18 meetings in 2009.

As of December 31, 2009, Governor Durmuş Yılmaz has been the Chairman of the Board and its members are Prof. Mustafa İlker Parasız, Necati Şahin, Mehmet Vehbi Çıtak, Assoc. Prof. Lokman Gündüz, Prof. Necdet Şensoy, Prof. Turalay Kenç.

At the regular General Assembly meeting of the CBRT held on April 14, 2009;

- Board members Prof. Mustafa İlker Parasız and Prof. Necdet Şensoy, whose membership were due on April 30, 2009, were re-elected as members for a three-year period from May 1, 2009 to April 30, 2012.
- Prof. Turalay Kenç was elected for the vacant Board membership seat for a period ending on April 30, 2010, after Dr. Mustafa İbrahim Turhan's Vice-Governorship appointment on May 8, 2008.

1.3. MONETARY POLICY COMMITTEE

From Left to Right; Prof. Turalay Kenç, Burhan Göklemez, Assoc. Prof. Mehmet Yörükoğlu, Durmuş Yılmaz, Assoc. Prof. Erdem Başçı, Prof. Abdullah Yavaş, Dr. Mustafa İbrahim Turhan

The MPC (Monetary Policy Committee), under the chairmanship of the Governor, is composed of Vice- Governors, a member to be elected by the Board among its members and a member to be appointed by a joint decree upon the recommendation of the Governor. The Undersecretary of Treasury or his/her designee (Deputy Undersecretary) may participate in meetings without having the right to vote. The MPC is charged and authorized to determine the principles and the strategy of monetary policy in order to maintain price stability; set the inflation target with the Government within the framework of the monetary policy strategy; provide information to the Government and, in line with the principles set forth, to the public, within specified periods by preparing reports regarding monetary policy targets and their implementation; and take the necessary measures jointly with the Government to preserve the domestic and international value of the Turkish Lira and to set the exchange rate regime in determining the parity of Turkish Lira against gold and foreign currencies.

In 2009, the MPC held 12 regular meetings.

After Dr. Mustafa İbrahim Turhan was appointed as the Vice Governor of the CBRT, Board Member Prof. Turalay Kenç was elected to the vacant MPC seat as of May 7, 2009.

As of December 31, 2009, Governor Durmuş Yılmaz is the Chairman of the MPC and members are Deputy Governors Assoc. Prof. Erdem Başçı, Burhan Göklemez, Assoc. Prof. Mehmet Yörükoğlu and Dr. Mustafa İbrahim Turhan and Board Member Prof. Turalay Kenç and MPC Member Prof. Abdullah Yavaş.

1.4. AUDITING COMMITTEE

From Left to Right; Abdullah Yalçın, Mustafa Saim Uysal, Mehmet Tüfekçi, Prof. Ekrem Yıldız

Members of the Auditing Committee are elected as follows: one member by the shareholder of class (A), two members by the shareholders of classes (B) and (C) and one member by the shareholders of class (D). Members of the Auditing Committee serve for a term of two years. The Auditing Committee supervises all operations and accounts of the Bank. The Auditing Committee, which has no administrative power, submits its opinions to the Board in writing and thereof presents a copy to the Prime Ministry. At the end of the year, The Committee submits a report of the operations and accounts of the Bank to the General Assembly.

As of December 31, 2009, members of the Auditing Committee are Mustafa Saim Uysal, Abdullah Yalçın, Mehmet Tüfekçi and Prof. Ekrem Yıldız.

Mehmet Tüfekçi, representative of Class (A) shareholder, Prof. Ekrem Yıldız and Abdullah Yalçın, representatives of Classes (B) and (C) shareholders, and Mustafa Saim Uysal, representative of Class (D) shareholders, whose memberships were due on April 30, 2009, were re-elected as members for a two-year period from May 1, 2009 to April 30, 2010.

1.5. EXECUTIVE COMMITTEE

From Left to Right; Assoc. Prof. Mehmet Yörükoğlu, Burhan Göklemez, Durmuş Yılmaz, Assoc. Prof. Erdem Başçı, Dr. Mustafa İbrahim Turhan

The Executive Committee is composed of Vice Governors under the chairmanship of the Governor. The Governor is appointed by the Council of Ministers to serve for five years. Vice-Governors are appointed for five years by a joint decree on the recommendation of the Governor. Decisions of the Executive Committee are taken by a majority of all members.

When considered appropriate by the Governor, the Committee prepares proposals to be submitted to the Board, by examining issues subject to Board decision in advance, and draws up regulations on the administration, organization and services of the Bank. In addition, the Committee is also responsible for ensuring the coordination of Bank operations and performing duties related to the appointment, remuneration, dismissal and retirement of personnel other than those appointed by the Board.

As of December 31, 2009, members of the Executive Committee are Governor Durmuş Yılmaz, the Chairman, Assoc. Prof. Erdem Başçı, Burhan Göklemez, Assoc. Prof. Mehmet Yörükoğlu, and Dr. Mustafa İbrahim Turhan, Deputy Governors.

1.6. HEAD OFFICE DEPARTMENTS

From Left to Right; Ömer Öztürk, Rifat Günay, Mustafa Alim Çiçek, Mustafa Kudret Mennan, Ergün Anasoy, Çiğdem Tunçtürk Köse, Dr. Ali Hakan Kara, Dr. Bilal San, Mehmet Sertbudak, Selahattin Akkaş, Hüseyin Zafer, İrfan Yanar

As of December 31, 2009;		
ACCOUNTING	GENERAL MANAGER	İRFAN YANAR
AUDIT	GENERAL MANAGER	DR. BİLAL SAN
BANKING AND FINANCIAL INSTITUTIONS	GENERAL MANAGER	RİFAT GÜNAY
BANKNOTE PRINTING PLANT	GENERAL MANAGER	SELAHATTİN AKKAŞ
COMMUNICATIONS AND FOREIGN RELATIONS	GENERAL MANAGER	HÜSEYİN ZAFER
CONSTRUCTION AND PROCUREMENT	GENERAL MANAGER	
HUMAN RESOURCES	GENERAL MANAGER	MUSTAFA ALİM ÇİÇEK
INFORMATICS TECHNOLOGY	GENERAL MANAGER	ÖMER ÖZTÜRK
ISSUE	GENERAL MANAGER	MEHMET SERTBUDAK
LEGAL	CHIEF LEGAL ADVISOR & GENERAL MANAGER	MUSTAFA KUDRET MENNAN
MARKETS	GENERAL MANAGER	ÇİĞDEM TUNÇTÜRK KÖSE
RESEARCH AND MONETARY POLICY	GENERAL MANAGER	DR. ALİ HAKAN KARA
STATISTICS	GENERAL MANAGER	DR. AHMET NURİ KIPICI
WORKERS' REMITTANCES	GENERAL MANAGER	ERGÜN ANASOY
SECURITY AND DEFENSE SECRETARIAT	SECURITY AND DEFENSE SECRETARY	HALİT YILDIRIM

1.7. BRANCHES

As of December 31, 2009;		
ADANA	MANAGER	MEHMET ALİ TUĞLU
ANKARA	MANAGER	MEHMET ALİ KOCA
ANTALYA	MANAGER	MEHMET FAİK DEMİR
BURSA	MANAGER	İSMAİL YÜRÜMEZ
DENİZLİ	MANAGER	SÜLEYMAN KORUYUCU
DİYARBAKIR	MANAGER	EYÜP KÜTÜK
EDİRNE	MANAGER	MUSTAFA BOZKURT
ERZURUM	MANAGER	İSKENDER BÜYÜKTAŞ
ESKİŞEHİR	MANAGER	NEVZAT GÜLEN
GAZİANTEP	MANAGER	AHMET İNCİ
İSKENDERUN	MANAGER	TUFAN SONEK
İSTANBUL	MANAGER	LÜTFİ ÜMİT FINDIKOĞLU
İZMİR	MANAGER	TEVFİK HAYATİ BOYALI
İZMİT	MANAGER	ATANUR DURSUN
KAYSERİ	MANAGER	MEHMET REŞİT KETENE
KONYA	MANAGER	ŞERAFETTİN BAYDAŞ
MALATYA	MANAGER	SÜLEYMAN MİÇOOĞULLARI
MERSİN	MANAGER	MUHARREM ZENGİN
SAMSUN	MANAGER	HALİL YEŞİLBURSA
TRABZON	MANAGER	MEHMET ÜNAL KEKEVİ
VAN	MANAGER	

1.8. REPRESENTATIVE BRANCHES

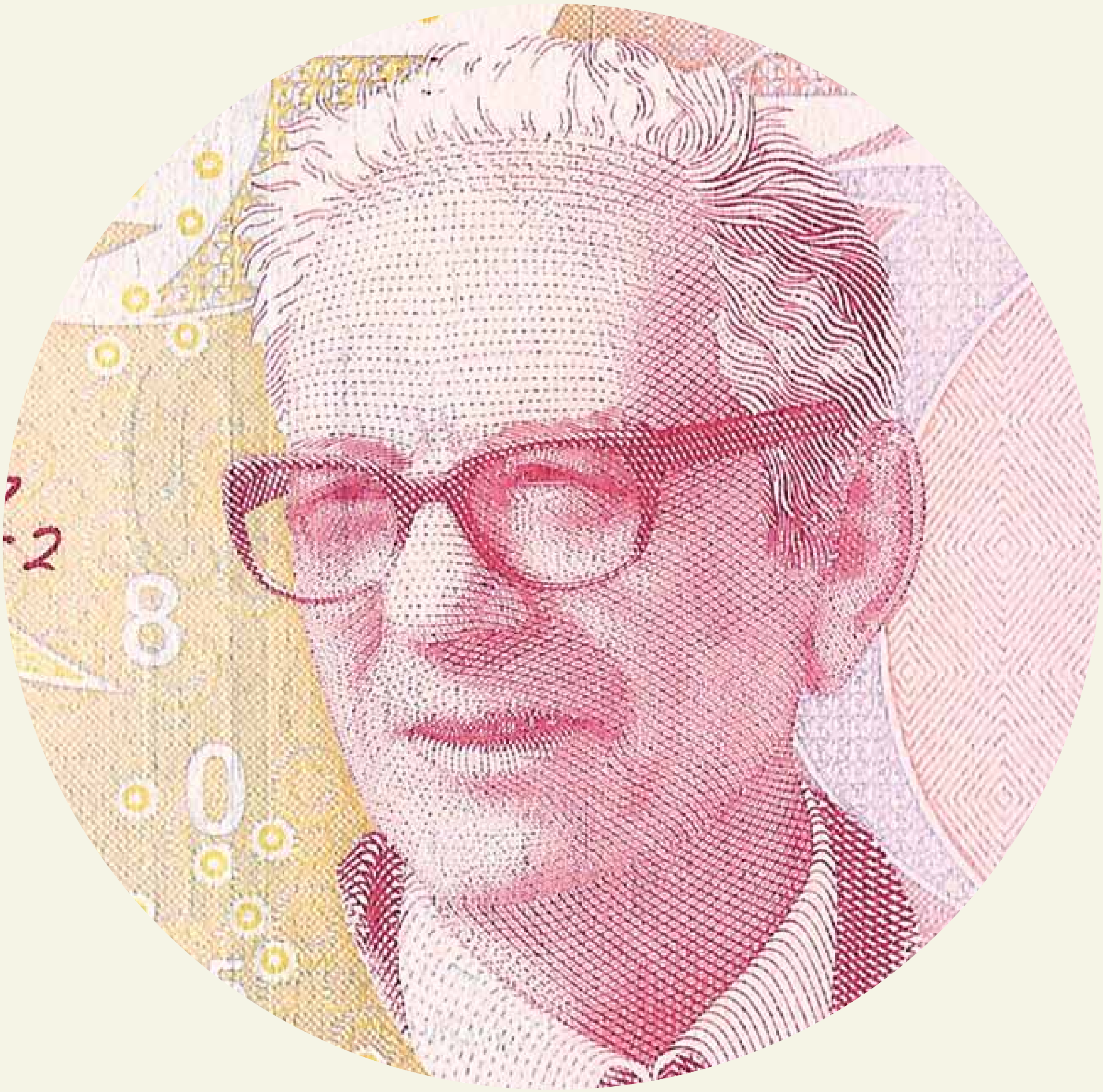
As of December 31, 2009;		
FRANKFURT REPRESENTATIVE OFFICE	DEPUTY REPRESENTATIVE	JALE ATAMAN
LONDON REPRESENTATIVE OFFICE	DEPUTY REPRESENTATIVE	İMİRZE İLHAN KOÇAKER
NEW YORK REPRESENTATIVE OFFICE	REPRESENTATIVE	MEHMET AYDIN ÖZMEN
TOKYO REPRESENTATIVE OFFICE	REPRESENTATIVE	ÇETİN ÖZBEK

PART 2 STRATEGIC PLAN AND OPERATIONS

10 TL

CAHİT ARF

Ordinarius Prof. Cahit Arf (1910-1997) was one of the most significant mathematicians of Turkey and is renowned internationally for the many theorems he produced. Arf made significant contributions to mathematics with his works in numerous fields such as algebra, number theory, elasticity theory, analysis, geometry, and engineering mathematics and produced more than twenty original works.



Portrait, E-9 Emission Group
Depicted on the back of the 10 TL denomination from Series 1

2.1. CBRT STRATEGIC PLAN

Mission

- To achieve price and financial stability, thus contributing to the enhancement of the prosperity of individuals and society, and to the sound and stable functioning and improvement of money, credit, capital, goods and services markets
- To support the growth and employment policies of the Government provided that they shall not be in conflict with the objective of achieving and maintaining price stability

Vision

- To achieve and maintain price stability so as to promote the prosperity of society
- To contribute to financial stability
- To pursue an efficient communication policy
- To be independent, transparent, accountable and credible

Values

Transparency, accountability, credibility, good governance, effective communication, giving priority to public benefit.

Pursuant to the duties assigned to our Bank by the CBRT Law, our Basic Strategic Objectives are grouped under five headings, as follows:

1) Maintaining Trust in the National Currency

To ensure and maintain price and financial stability so as to contribute to sustainable growth and elevate the prosperity of society by maintaining trust in the national currency, provided that there is no conflict with the objective of achieving and maintaining price and financial stability.

2) Maintaining Convergence to the European Union and Developing Relations with other International Organizations

To establish the necessary legal, social and organizational structure in the process of integration with the European Union (EU), and to take the necessary measures thereof.

3) Developing Adequate and Effective Communication

To improve and play an active role in domestic and international communication in order to increase the efficiency of policies applied through the principles of accountability, credibility and transparency.

4) Focusing on the Basic Functions of the Central Bank of the Republic of Turkey

To carry out career planning and to focus on the fundamental functions of our bank by revising both the functions and the human resources. To conduct research in order to correspond to the changing environment and to take effective decisions, and to improve the primary activities of our Bank by applying the results of such research.

5) Developing Corporate Governance

To provide a functional, secure and flexible working environment within the Bank. Thus, to set a good example of corporate governance by enhancing transparency and accountability. To develop a corporate culture in which personnel can participate efficiently in processes.

In 2009, the CBRT focused on policies to minimize the adverse effects of the global crisis on economic activity and financial stability without conflicting with its commitment to maintain price stability.

2.2. PRICE STABILITY AND MONETARY POLICY

2.2.1. Overview

The effects of the global financial crisis continued into the first half of 2009 after deepening in September 2008 following the bankruptcy of several large US financial institutions in particular. Consequently, growth rates fell sharply around the globe, mainly in advanced economies. With massive government interventions, the effects of the crisis started to weaken by mid-2009, and the global economy started to follow a slow and gradual recovery trend. The unprecedented stimulus packages around the globe, particularly in advanced economies, which bolstered economic growth, have helped improve the global risk sentiment and normalization of the financial markets. Despite favorable developments in global financial markets, the failure to relieve banks' troubled assets and continuing financial fragility, to a great extent, have restricted the effectiveness of the credit mechanism.

Having deepened during the final quarter of 2008, the global downturn began to weigh more heavily on the Turkish economy, which caused domestic demand to slump during the first quarter of 2009. The uncertainties created by global financial turmoil adversely affected the domestic credit market, and hence the credit volume dropped rapidly during the fourth quarter of 2008 and in the first quarter of 2009. Moreover, ongoing high unemployment rates boosted precautionary savings and dampened consumption spending. Despite having recovered in the second quarter due to fiscal measures, domestic demand went back to a downtrend with the gradual withdrawal of tax incentives. However, foreign demand continued to recover steadily. Having declined rapidly since the final quarter of 2008, exports and imports started to rebound by the second quarter of 2009, but were markedly down year-on-year throughout 2009. However, as imports contracted at a faster pace than exports, the trade deficit and the current account deficit narrowed considerably year-on-year in 2009.

Higher government spending due to fiscal stimulus packages designed to cushion the economy against the crisis as well as lower tax revenues resulting from economic contraction caused the budget deficit to widen and the public debt-to-GDP ratio to soar.

The CBRT continued to conduct a full-fledged inflation targeting regime in 2009, a regime that has been adopted since the beginning of 2006 as a monetary policy strategy adhering to the primary objective of price stability. Inflation plunged during the first half of 2009 due to plummeting international commodity prices and tax incentives. However, during the fourth quarter of 2009, annual inflation increased slightly owing to base effects and higher unprocessed food prices, while core price indicators remained subdued. Accordingly, inflation ended 2009 at 6.53 percent, falling behind the year-end target of 7.5 percent, yet lying within the uncertainty band.

In 2009, the CBRT focused on policies to minimize the adverse effects of the global crisis on economic activity and financial stability without conflicting with its commitment to maintain price stability. In doing so, the Bank cut short-term interest rates aggressively, while also adopting stabilizing liquidity policies to ease the credit crunch. Despite signs of partial recovery in economic activities since May, the Bank continued to lower policy rates due to ongoing uncertainty about the sustainability of the revival in demand and the absence of a significant improvement in employment prospects. However, with growing expectations that the economy was headed for a moderate turnaround, the Bank slowed down the monetary easing cycle towards the end of the year, and kept policy rates unchanged in December. Accordingly, the CBRT cut its key interest rates by a total of 850 basis points in 2009.

Growth rates in both advanced and emerging economies increased by the second quarter of 2009.

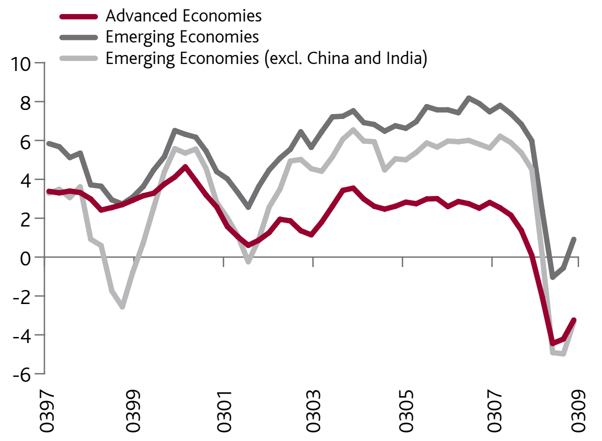
2.2.2. Global Economic Developments

Global Growth

After bottoming out in the first quarter of 2009, growth rates in both advanced and emerging economies increased by the second quarter, largely due to expansionary monetary and fiscal policies conducted on a global scale, and more essentially, by inventory buildups in advanced economies (Graph 1). Although the weighted average of annual growth rates in emerging economies indicates that economic growth resumed during the third quarter, excluding China and India, contraction continues.

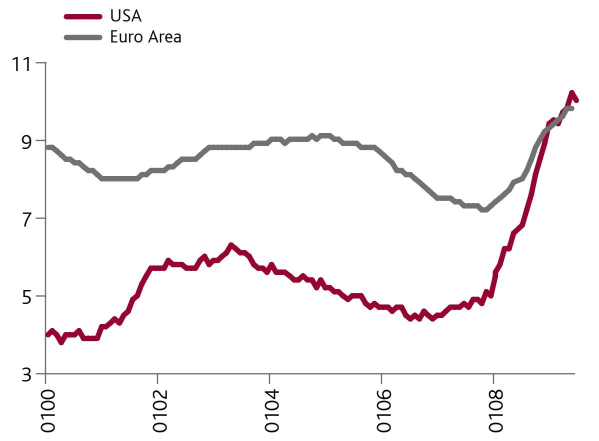
Despite promising signs of global economic recovery, unemployment remains elevated in advanced economies, particularly in the US and the Euro area (Graph 2). Higher unemployment rates and the fact that the improving outlook has largely been driven by temporary expansionary monetary and fiscal policies indicate that the recovery may be slow and gradual, even bumpy.

Graph 1. Annual Growth in Advanced and Emerging Economies
(Percent)



Source: Bloomberg, CBRT.

Graph 2. Unemployment in Advanced Economies
(Percent)



Source: Bloomberg.

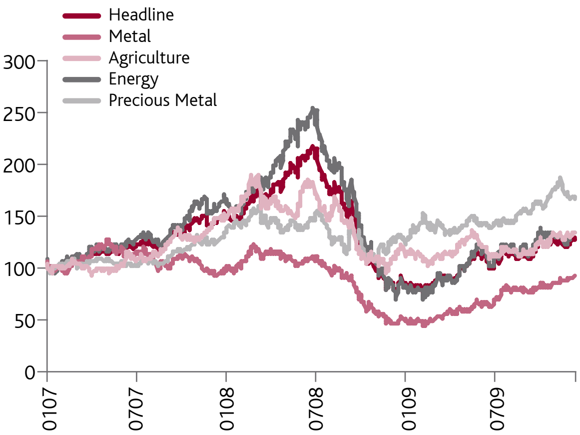
Commodity prices rallied by mid-2009.

Commodity Prices

Due to the marked contraction in global economic activity, commodity prices dropped sharply in the fourth quarter of 2008 and remained low during the first quarter of 2009. Yet, stronger expectations for a global economic recovery, stimulus-driven demand growth in China and the depreciation of the US dollar caused commodity prices to rally by mid-2009. With ample liquidity due to stimulus packages and stronger global economic activity, commodity prices continued to rise in the final quarter (Graph 3).

After climbing to a historic-high of 145.7 US dollar/bbl in July 2008, international Brent crude oil prices slumped towards the end of the year due to reduced demand across the world, particularly in industrialized countries. In view of the drastic plunge in oil prices, OPEC (the Organization of the Petroleum Exporting Countries) lowered output quotas to counterbalance weaker demand, causing oil prices to stabilize at around 40-50 USD/bbl in the first quarter of 2009. Oil prices began to rally by the second quarter, due to growing signs of the bottoming out of the global recession, weaker US dollar and OPEC's production cuts. Having increased slightly by mid-2009, with clear evidence of global recovery and further weakening of the US dollar, oil prices fluctuated between 70-80 USD/bbl, a range considered to be reasonable by OPEC member states, during the fourth quarter (Graph 4).

Graph 3. S&P Goldman Sachs Commodity Prices*



Source: Goldman Sachs.
*The average for January 2007 is taken as 100.

Graph 4. Crude Oil (Brent) Prices
(USD/bbl)

Source: Bloomberg.

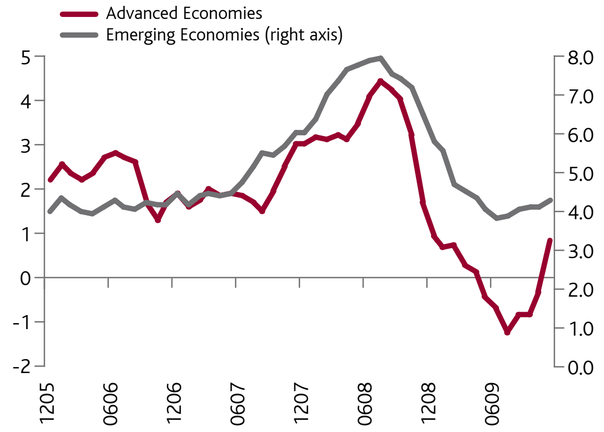
Inflation in advanced economies yielded positive values by the end of 2009.

Global Inflation

The slump in global inflation since mid-2008, driven by downward pressure from demand and cost conditions, continued into the first half of 2009, while the annual percentage change in consumer prices of advanced economies turned negative during May and June. However, global inflation started to rise by August 2009 with the fading of last year's high base effect and the rise in commodity prices, and inflation in advanced economies yielded positive values by the end of 2009 (Graph 5).

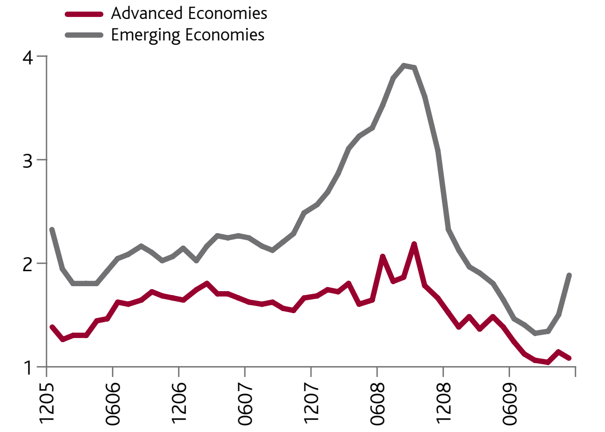
Core inflation, the inflation measure excluding temporary and seasonal factors affecting the overall inflation trend, had been on a markedly downward trend in both advanced and emerging economies since early 2009. Yet, during the fourth quarter, core inflation remained flat in advanced economies but started to follow an upward trend in emerging economies (Graph 6).

Graph 5. CPI Inflation in Advanced and Emerging Economies
(Annual Percentage Change)



Source: Bloomberg, CBRT.

Graph 6. Core CPI Inflation in Advanced and Emerging Economies
(Annual Percentage Change)



Source: Bloomberg, CBRT.

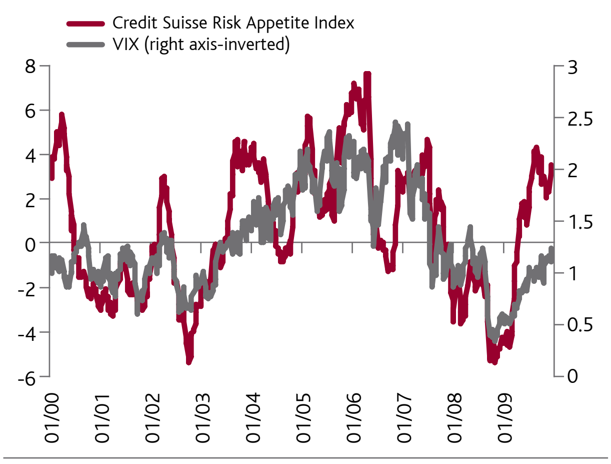
Amid mounting signs of economic recovery, the global risk appetite continued to pick up at the end of 2009, albeit at a slower pace.

Global Financial Conditions and Risk Indicators

Compared with the fourth quarter of 2008, when the crisis took hold, global financial markets recovered moderately during the first half of 2009, thanks to measures aimed at ensuring the smooth functioning of financial markets, extraordinary monetary and fiscal measures taken by advanced economies and subsequent data on global economic activity indicating a relatively improved outlook. In addition, the fact that the international commercial and investment banks at the epicenter of the crisis were able to raise the capital required by stress tests and sought to repay Federal Reserve's (Fed) Troubled Asset Relief Program (TARP) funds earlier contributed to the bouncing back of financial markets. The second half of 2009 was marked by further improvement in global financial markets driven by the ongoing fiscal stimulus measures, stronger-than-expected growth rates in advanced economies and expectations for continued recovery in global economic activity.

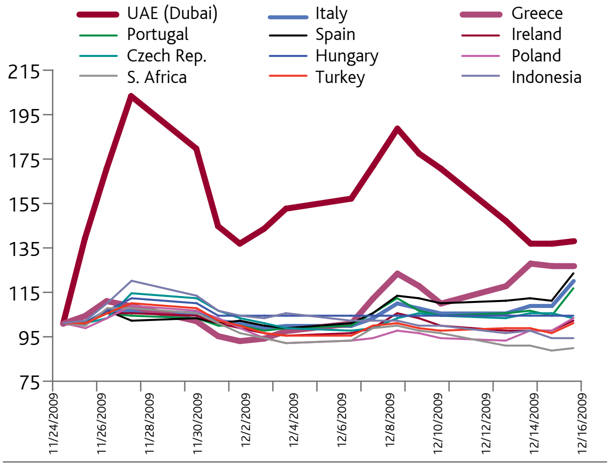
Amid mounting signs of economic recovery, the global risk appetite continued to pick up at the end of 2009, albeit at a slower pace (Graph 7). Although the financial problems associated with Greece and Dubai caused temporary setbacks in the risk appetite, the perception of these issues by investors as country-specific helped risk appetite to resume its uptrend (Graph 8).

Graph 7. Global Risk Appetite



Source: Bloomberg.

Graph 8. CDS Rates for Selected Countries*



Source: Bloomberg.
* Indexed to a value of 100 on November 24, 2009.

By the end of 2009, the signs of a likely exit strategy from expansionary monetary policy measures have emerged.

Global Monetary Policy Developments

With the deepening of the global economic crisis in the fourth quarter of 2008, central banks of both advanced and emerging markets began to slash key interest rates. Monetary easing continued into the first quarter of 2009, albeit at a less rapid pace. Central banks, including the Fed and the ECB (European Central Bank), increased the scope and scale of monetary expansion. Monetary easing in advanced economies slowed markedly during the second quarter of 2009 and ended by the third quarter. Emerging market central banks, on the other hand, continued to cut policy rates, though at a descending pace, to contain the impact of the global crisis on economic activity. In the final quarter of 2009, most central banks kept policy rates at low levels and continued to pursue an expansionary monetary policy to stimulate economic activity by adopting unconventional measures. The easing cycle is largely over by the end of 2009, and signs of a likely exit strategy from expansionary monetary policy measures have emerged.

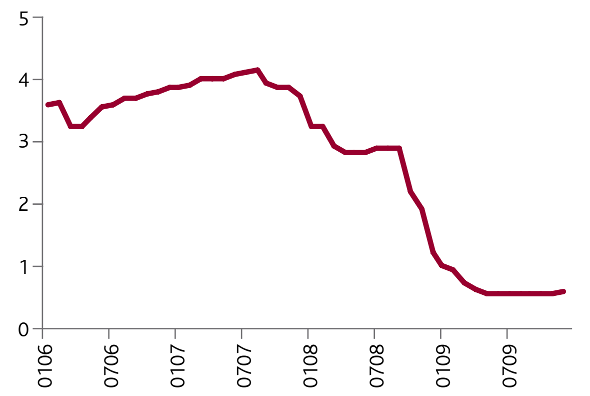
Global policy rates have mostly flattened out by the end of 2009. Given the modest rate cut cycle in 2009, the composite policy rate for advanced economies decreased by about 60 basis points year-on-year, ending 2009 at 0.58 percent (Graph 9). On the other hand, the composite policy rate for emerging economies dropped by around 5-percentage points year-on-year, ending 2009 at 5.75 percent (Graph 10).

2.2.3. Macroeconomic Developments

Inflation Developments

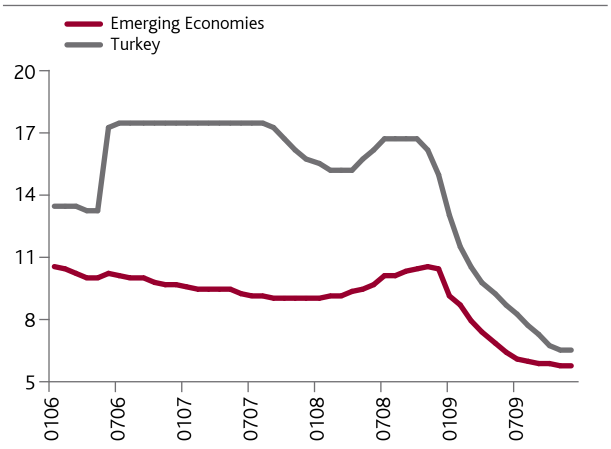
CPI inflation ended 2009 at 6.53 percent, down about 3.5 percentage points year-on-year (Graph 11). This has been attributed to the slowdown in economic activity due to the global crisis since the fourth quarter of 2008, as well as the direct and indirect effects of falling international commodity prices on domestic prices.

Graph 9. Policy Rate in Advanced Economies
(Percent, Compound)



Source: Bloomberg, CBRT calculations.

Graph 10. Policy Rate in Inflation-Targeting Emerging Economies
(Percent, Compound)



Source: Bloomberg, CBRT calculations.

Energy prices moved with international prices in 2009.

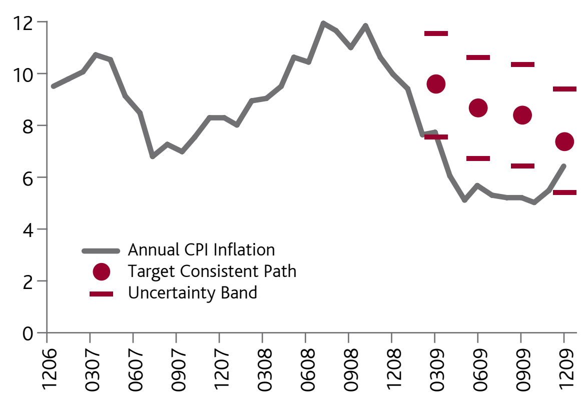
Annual inflation was down across all sub-items, excluding alcoholic beverages and tobacco, which have been subject to tax adjustments. The year-on-year decline in services and energy inflation is particularly striking (Graph 12).

The outlook for sub-categories of food in 2008 has been completely reversed in 2009. With lower import prices, increased production and economic contraction, processed food prices remained almost flat in 2009, as opposed to hikes in 2008. On the other hand, the massive upsurge in unprocessed food prices driven by supply-side shocks clouded this positive outlook. Accordingly, food prices rose at a more modest pace than in previous years, but were among the sub-categories that provided the largest upward contribution to annual CPI inflation.

Energy prices moved with international prices in 2009. The lagged effects of the slump in international oil prices during the second half of 2008 drove energy prices lower in the first half of 2009. With the subsequent recovery in international prices, energy prices were back on the rise. Having increased by a mere 4.64 percent throughout the year, energy prices had a major impact on bringing annual CPI inflation down from the previous year (Graph 12).

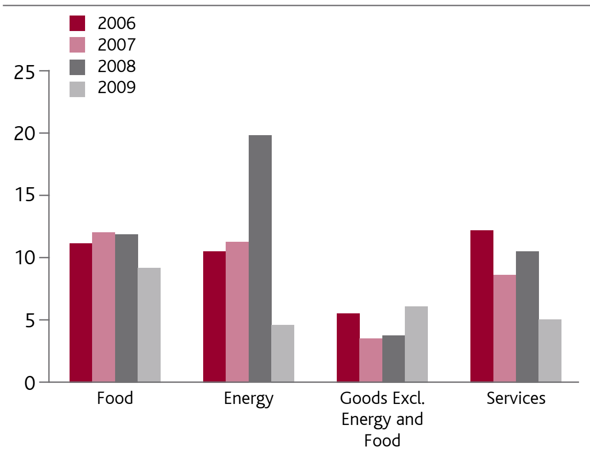
Annual inflation in goods excluding energy and food was volatile during 2009 owing to the temporary tax adjustments on durable goods intended to stimulate the economy, and ended the year at 6.15 percent, up from a year earlier. The increase has mostly been because of the 22 and 35 percent jump in tobacco and gold prices, respectively, spurred by the tax hikes aimed to restore government balances. Despite weaker Turkish lira, annual inflation in core goods (excluding tobacco and gold) declined to 2.56 percent on the back of the economic slowdown.

Graph 11. Annual CPI Inflation and Target-Consistent Inflation Path



Source: TURKSTAT, CBRT.

Graph 12. Consumer Prices
(Annual Percentage Change)



Source: TURKSTAT, CBRT.

As of the end of 2009, inflation expectations for end-2010 and 2011 are anchored at 6.56 and 6.31 percent, respectively.

The economic slowdown had the most severe impact on services. Annual inflation was significantly down across all sub-categories of services, compared to 2008, with annual services inflation sinking to a historic low of 5.13 percent (Graph 13). The negative outlook for the labor market had a major dampening effect on prices of services.

The annual rate of increase in the Special CPI Aggregates (SCA) H and I, designed to evaluate the underlying inflation, remained volatile during periods when temporary tax incentives were effective, but clearly trended downwards over the entire year (Graph 14). Annual SCA-H and SCA-I inflation ended 2009 at 3.18 and 3.84 percent, respectively, and also in line with medium-term targets.

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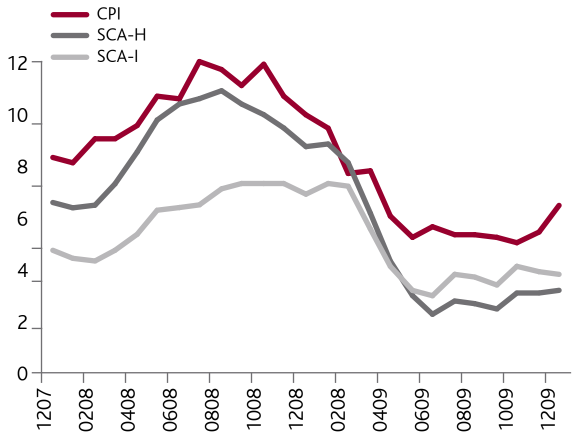
Inflation expectations provide a basis for both price developments and also for wage adjustments, and therefore have a significant impact on inflation. After increasing markedly in 2008 due to the inflation outlook, medium-term inflation expectations gradually slowed to levels relatively more comparable to medium-term targets in 2009 thanks to the favorable inflation outlook since the end of 2008 and the accuracy of CBRT's inflation forecasts (Graph 15). As of the end of 2009, inflation expectations for end-2010 and 2011 are anchored at 6.56 and 6.31 percent, respectively.

Graph 13. Services Prices
(Annual Percentage Change)

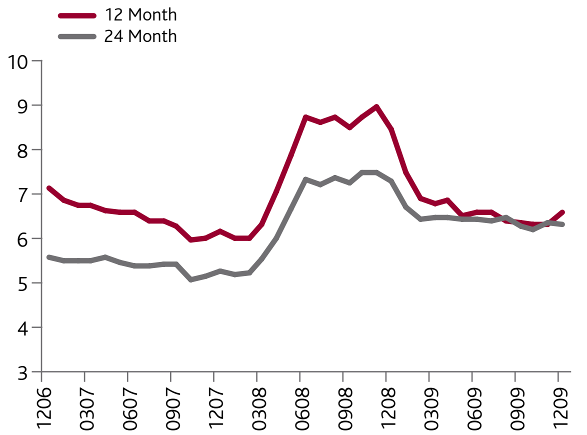
Source: TURKSTAT, CBRT.

Graph 14. CPI, SCA- H and SCA- I
(Annual Percentage Change)



Source: TURKSTAT.

Graph 15. Expected Annual CPI by the End of the Next 12 and 24 Months*
(Annual Percentage Change)



* CBRT Survey of Expectations results from the second survey period.
Source: CBRT.

GDP fell by 8.4 percent in the first nine months of 2009, compared to a year earlier.

Supply and Demand Developments

GDP narrowed by a remarkable 14.7 percent year-on-year in the first quarter of 2009, but the pace of decline moderated in the second and third quarters, down to 7.9 and 3.3 percent year-on-year, respectively (Table 1). Accordingly, GDP fell by 8.4 percent in the first nine months of 2009, compared to a year earlier. In expenditures categories, the negative contribution of private demand to growth in the second and third quarters relatively lessened. As imports contracted at a faster pace than exports, net exports made a positive contribution to growth in the first three quarters.

Table 1. GDP Developments by Expenditures
(At 1998 Prices, Annual Percentage Change)

	2007	2008					2009			
	Y/Y	I	II	III	IV	Y/Y	I	II	III	Jan-Sept
1-Consumption Expenditures	4.9	6.5	1.2	-0.1	-3.3	0.9	-8.3	-1.2	-0.2	-3.2
Government	6.5	5.5	-3.4	2.6	3.4	1.9	5.2	0.5	5.2	3,6
Private	4.6	6.6	1.9	-0.5	-4.5	0.8	-10.0	-1.5	-0.9	-4,1
2-Fixed Capital Investments	5.4	6.1	-2.9	-9.7	-19.4	-7.1	-27.5	-24.3	-18.0	-23.3
Government	6.3	18.2	14.9	5.2	15.8	13.0	24.5	5.4	-10.6	4,0
Private	5.3	4.9	-5.4	-12.1	-25.7	-10.0	-33.5	-29.4	-19.4	-27,7
Machinery/Equipment	4.7	12.6	-3.4	-11.7	-28.6	-8.6	-36.0	-28.4	-18.0	-27,8
Construction	6.2	-6.8	-9.3	-12.8	-20.6	-12.5	-28.7	-31.6	-21.8	-27,4
Private Demand (Consumption + Investment)*	4.4	5.9	0.1	-2.8	-9.0	-1.7	-14.7	-7.4	-4.1	-8.5
3-Inventory Changes*	0.7	1.2	2.2	1.6	-3.8	0.3	-7.8	-4.3	-1.3	-4.3
3-Exports of Goods and Services	7.3	13.0	3.6	3.0	-8.5	2.3	-11.2	-10.1	-4.6	-8.5
4-Imports of Goods and Services	10.7	13.9	1.6	-3.5	-23.7	-3.8	-31.0	-20.4	-11.9	-21.1
Net Exports*	-1.2	-0.9	0.4	1.7	5.2	1.7	6.7	3.5	2.0	4.0
5-Total Domestic Demand	5.7	7.7	2.3	-0.7	-11.1	-0.8	-20.3	-10.9	-5.2	-11.9
6-Total Final Domestic Demand	5.0	6.4	0.2	-2.4	-7.4	-1.0	-12.9	-6.8	-4.2	-7.9
7-GDP	4.7	7.2	2.8	1.0	-6.5	0.9	-14.7	-7.9	-3.3	-8.4

*Contribution to GDP growth (percent).
Source: TURKSTAT.

Foreign trade deficit narrowed to 24.7 billion USD in 2009 from 53 billion USD in 2008.

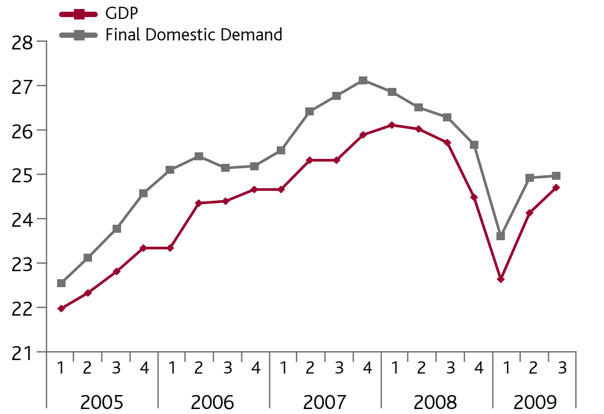
In seasonally adjusted terms, GDP fell sharply during the final quarter of 2008 due to the more apparent effects of the global economic turmoil on our economy (Graph 16). The sharp contraction in foreign demand during the fourth quarter of 2008 had an adverse impact on services sectors, which have connections to industrial sector, thereby depressing the labor market. With unemployment rates climbing to historic highs, subsequent to foreign demand, domestic demand conditions also began to deteriorate rapidly in the first quarter of 2009. Thus, economic activity declined sharply in the last quarter of 2008 as well as during the first quarter of 2009. Despite having recovered in the second quarter on the stimulus-driven increase in private consumption, final domestic demand weakened with the gradual withdrawal of tax incentives and remained virtually flat during the third quarter. Yet, foreign demand continued to rebound. Therefore, after posting a marked rise in the second quarter, the GDP registered a more modest quarter-on-quarter growth during the third quarter.

Indicators for the final quarter of 2009 signal a slow yet stable recovery in economic activity. Suggesting a currently moderate global recovery, the medium-term outlook supports the expectation for a slow and gradual recovery of the economic activity. Hence, aggregate demand conditions appear to have supported disinflation in 2009 (Graph 17).

Balance-of-Payments Developments

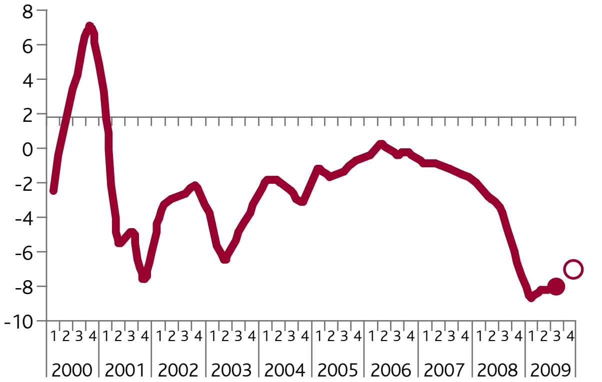
After having slumped since the fourth quarter of 2008 amid weaker domestic and foreign demand and plunging commodity prices, particularly of crude oil and iron-steel, exports and imports started to recover by the second quarter of 2009. Total exports of goods decreased by 22.1 percent year-on-year to 109.7 billion USD, while total imports of goods dropped by 30.7 percent to 134.4 billion USD in 2009. As a result, the foreign trade deficit narrowed to 24.7 billion USD in 2009 from 53 billion USD in 2008. The weak performance of base metals, motor vehicles and refined petroleum products stand out in the decline of exports. Imports, on the other hand, were hit by the dramatic fall in imports of crude oil and natural gas, base metals, chemicals and chemical products, and motor vehicles.

Graph 16. GDP and Final Domestic Demand
(Seasonally Adjusted, at 1998 Prices, Billion TL)



Source: TURKSTAT, CBRT.

Graph 17. Output Gap
(Percent)



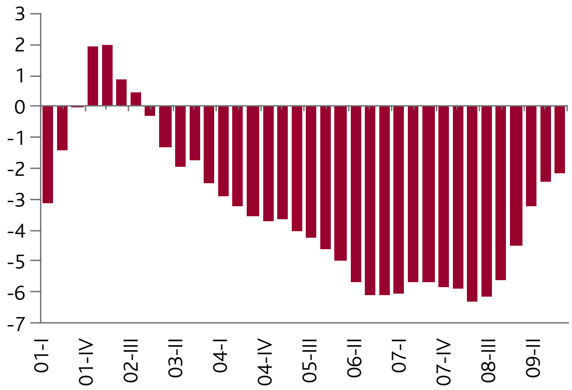
Source: CBRT.

The global financial crisis also hit capital flows and led to a remarkable decline in capital inflows in 2009.

After a steep decline during the second half of 2008 amid global recession and falling commodity prices, foreign trade prices started to pick up by the second quarter of 2009. Price indices for goods such as crude oil, refined petroleum products, scrap metal and communication equipment increased evidently. Thus, the downward pressure of foreign trade prices on the annual growth of nominal exports and imports tapered off during the fourth quarter. Meanwhile, quantity indices suggest that exports continued to grow steadily in the fourth quarter, whereas, after having increased at a faster pace than exports due to tax incentives during the second and third quarters, imports lost momentum in the final quarter.

The negative effects of the global crisis on tourism revenues were manifested as reduced average spending. Tourism revenues were down by 3.2 percent year-on-year in 2009, mainly because of the slowdown in average spending on tourism. In the same period, the number of tourists increased by 3.3 percent. The recovery in other sub-categories helped limit the decline in the services balance surplus to 5.3 percent. Accordingly, the current account deficit narrowed to 13.9 billion USD in 2009 from 49.2 billion USD year-on-year in August 2008 (Graph 18).

Graph 18. Current Account/GDP*
(Percent)



* Annualized Forecast for Q4 2009.
Source: CBRT.

The global financial crisis also hit capital flows and led to a remarkable decline in capital inflows in 2009. In sub-items, net direct investments decreased by 61.7 percent to 6 billion USD, while portfolio investments and the Treasury's net bond issues amounted to 0.2 and 1.8 billion USD, respectively. Long-term borrowing declined, moving the private sector to a net creditor position, while short-term borrowing remained almost unchanged.

Accordingly, official reserves increased by 0.1 billion USD in 2009, whereas commercial banks' foreign exchange reserves fell by 5.6 billion USD, and net errors and omissions posted a surplus of 8.4 billion USD.

The global crisis heavily hit the employment in the industrial sector, while its adverse effects on construction and services employment remained scant.

Developments in Employment, Productivity and Labor Costs
The labor force increased by 4 percent to 24.7 million in 2009 from 23.8 million in 2008, while employment increased by 0.4 percent to 21.3 million. The increase in labor force participation and the flattening out of employment brought unemployment up to 14 percent from 11 percent. In addition, non-farm unemployment rose from 13.6 percent to 17.4 percent, while youth unemployment climbed to 25.3 percent from 20.5 percent (Table 2).

The global crisis, which has weighed on the labor market since the final quarter of 2008 started to have more apparent adverse effects and the worsening of the labor market continued towards mid-2009. As of the third quarter of 2009, non-farm employment began to recover, and unemployment rates fell.

Having remained on a general downtrend until 2008, the share of unregistered employment in total employment began to rise with higher unemployment, climbing by 0.3 percentage points year-on-year to 43.8 percent in 2009.

The global crisis heavily hit the employment in the industrial sector, while its adverse effects on construction and services employment remained scant. Industrial employment contracted by 7 percent year-on-year in 2009, while employment was up by 0.6 and 1.4 percent in construction and services, respectively. However, trade employment, a sub-category of services employment, narrowed by 0.7 percent. Furthermore, industrial employment fell by 311 thousand persons, while construction and services employment grew by 8 thousand and 149 thousand persons, respectively, thus reducing non-farm employment by 155 thousand persons (Table 3).

The economic contraction lowered capacity utilization rates, particularly in the industrial sector, and thus caused labor productivity to decline and real unit labor costs to rise. Real

Table 2. Labor and Employment
(Thousand persons)

	2006	2007	2008	2009				2009
	Average	Average	Average	I	II	III	IV	Average
Population, 15 Years and Older	49,174	49,994	50,772	51,360	51,575	51,789	52,007	51,686
Labor Force	22,751	23,114	23,805	23,582	24,837	25,537	25,011	24,748
Labor Force Participation Rate (percent)	46.3	46.2	46.9	45.9	48.2	49.3	48.1	47.9
Male	69.9	69.8	70.1	69.1	70.5	71.9	70.6	70.5
Female	23.6	23.6	24.5	23.5	26.6	27.5	26.4	26.0
Employment	20,423	20,738	21,194	19,779	21,455	22,108	21,741	21,277
Farm	4,907	4,867	5,016	4,391	5,422	5,854	5,342	5,254
Non-Farm	15,516	15,871	16,178	15,388	16,033	16,254	16,399	16,023
Employment Rate (percent)	41.5	41.5	41.7	38.5	41.6	42.7	41.8	41.2
Female Employment/Employment (percent)	25.7	25.8	26.4	26.2	28.2	28.0	27.8	27.6
Unemployment Rate (percent)	10.2	10.3	11.0	16.1	13.6	13.4	13.1	14.0
Farm	1.4	1.8	1.3	2.7	1.8	1.7	1.8	1.8
Non-Farm	12.7	12.6	13.6	19.3	17.0	17.0	16.2	17.4
Youth Unemployment Rate	19.1	20.0	20.5	28.6	24.9	23.5	24.4	25.3
Unregistered Employment	47.0	45.4	43.5	40.8	44.6	45.7	43.9	43.8

Source: TURKSTAT Household Labor Force Survey.

On the supply side, banks were reluctant to lend in 2009 due to the deterioration in risk sentiment.

wages dropped by 5.8 percent during January-September 2009, and the value added contracted by 13.1 percent. Meanwhile, real unit wages grew by 8.9 percent as per-capita partial productivity fell by 5.3 percent (Table 4).

Credit Developments

Uncertainty resulting from the financial turmoil that emerged in advanced economies and spread across the globe in the fourth quarter of 2008 also dampened the credit market. On the supply side, banks were reluctant to lend in 2009 due to the deterioration in risk sentiment. On the demand side, the loan demand for investment purposes weakened on reduced economic activity. Yet, the willingness of firms to restructure their debt was the major factor behind the increase in loan demand.

Table 3. Employment by Sectors
(Thousand persons)

	2006	2007	2008	2009				2009
	Average	Average	Average	I	II	III	IV	Average
Total Employment	20,423	20,738	21,194	19,779	21,455	22,108	21,741	21,277
Farm	4,907	4,867	5,016	4,391	5,422	5,854	5,342	5,254
Non-Farm	15,516	15,871	16,178	15,388	16,033	16,254	16,399	16,023
Industry	4,269	4,314	4,441	4,052	3,997	4,163	4,302	4,130
Manufacturing Industry	4,066	4,088	4,235	3,880	3,829	3,976	4,101	3,949
Construction	1,196	1,231	1,241	976	1,296	1,373	1,345	1,249
Services	10,051	10,327	10,495	10,361	10,741	10,718	10,752	10,644
Trade, Hotels, Restaurants	4,492	4,557	4,573	4,359	4,503	4,762	4,550	4,542
Other Services	5,559	5,770	5,922	6,002	6,238	5,956	6,202	6,102

Source: TURKSTAT Household Labor Force Survey.

Table 4. Productivity and Wages in Industry, Construction, Trade and Restaurants/Hotels*
(Year-on-Year Percentage Change)

	2006	2007	2008					2009			9-Month	
	Average	Average	I	II	III	IV	Average	I	II	III	2008	2009
Value Added	8.3	5.9	7.5	3.6	-0.9	-10.6	-0.3	-20.5	-12.9	-6.2	3.2	-13.1
Employment	7.4	4.7	2.1	4.7	0.5	-2.9	1.1	-7.2	-11.1	-6.7	2.4	-8.4
Productivity	0.8	1.2	5.3	-1.1	-1.4	-7.9	-1.4	-14.3	-2.0	0.5	0.9	-5.3
Real Wages	7.0	5.0	3.6	3.7	-0.4	-2.5	1.0	-6.7	-6.2	-4.6	2.2	-5.8
Real Unit Wages	-1.1	-1.0	-3.7	0.1	0.5	9.0	1.4	17.3	7.6	1.7	-1.1	8.9

* Indices of Employment, Productivity and Wages are derived from Short-term Labor Indicators (2005=100), sectoral distribution of Statistics for Industrial Services (2007) and sectors' value added of GDP at Constant Prices. Real indices are derived from the CPI.
Source: TURKSTAT, CBRT.

The fiscal discipline implemented in previous years narrowed the government budget deficit and the debt to-GDP ratio, to a level well below the average for both advanced and emerging economies.

Measures taken by the CBRT to restore financial stability and ensure the smooth functioning of credit markets during the crisis had positive implications on credit markets. CBRT's aggressive rate cuts were reflected on loan rates, thereby easing tight financial conditions. With the improved risk sentiment, credit markets calmed down towards mid-2009, and the sharp third-quarter drop in loan rates helped expand credit volume during the final quarter considerably (Tables 5 and 6).

Public Finance and Debt Stock Developments

Stabilizing fiscal measures taken in 2009 against global contraction in economic activity and the crisis, widened government budget deficits and increased debt rates in both advanced and emerging economies. The economic contraction led to a reduction in tax revenues, while the decline in employment caused the payment of social security premiums to fall and unemployment benefit payments to rise (Graph 19).

Likewise, Turkey's budget deficit also grew substantially in 2009, and the debt-to-GDP ratio increased as well. The fiscal discipline implemented in previous years narrowed the government budget deficit and the debt-to-GDP ratio, to a level well below the average for both advanced and emerging economies (Graph 19).

Although Turkey's budget deficit expanded at a faster pace on average than in many other emerging economies in 2009, according to the Medium-Term Program (MTP) projections, government debt is likely to remain below the average for other emerging economies in coming months.

The government budget deficit performed better than projected in the MTP during 2009. Yet, the central government budget produced a deficit of 52.2 billion Turkish Liras in 2009, while the primary balance delivered a surplus of 1.0 billion Turkish Liras. The higher-than-expected rise in non-interest expenditures and the lower-than-expected increase in tax revenues stand out as main reasons behind the weak budget performance. Current transfers, a non-interest expenditure item, provided a strong boost to spending.

The 2010 Central Government Budget Law prepared in consistency with the MTP targets was enacted in late 2009. According to the Budget Law, the ratio of non-interest expenditures to GDP is expected to decrease slightly in 2010 as a result of the decrease in the purchase of goods and services. Similarly, the ratio of interest expenditures to GDP is likely to decline fairly amid falling interest rates (Table 7).

Table 5. Consumer Loans and Claims from Credit Cards
(Real Q/Q Percentage Change, End-Period Figures)

	2008		2009			
	III	IV	I	II	III	IV
Consumer Loans	6.0	-5.0	-0.7	2.0	2.0	2.2
Housing Loans	3.5	-4.4	-0.6	2.0	2.5	3.4
Automobile Loans	-0.5	-11.9	-10.5	-4.9	-5.7	-7.1
Other	9.6	-4.5	0.5	2.9	2.5	2.1
Credit Cards	6.6	-0.4	-3.3	5.0	1.7	-1.9

Source: CBRT.

Table 6. Consumer Loan Rates
(Quarter-End Figures)

	2008		2009			
	III	IV	I	II	III	IV
Consumer Loans						
Housing Loans (36-month)	1.49	1.76	1.45	1.38	0.98	0.94
Automobile Loans (24-month)	1.70	2.00	1.78	1.74	1.44	1.37
Other (12-month)	1.89	2.10	1.88	1.82	1.58	1.56

Source: CBRT.

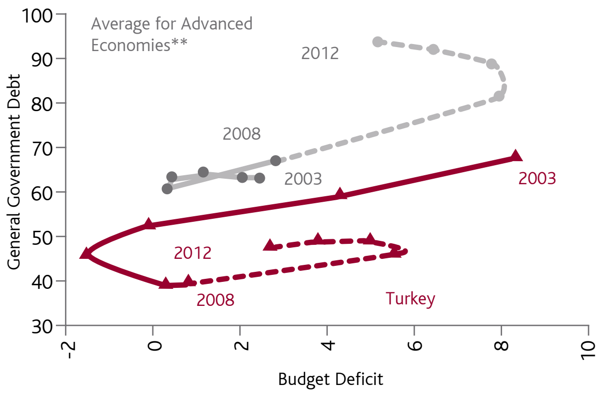
The 2010 Central Government Budget Law prepared in consistency with the MTP targets was enacted in late 2009.

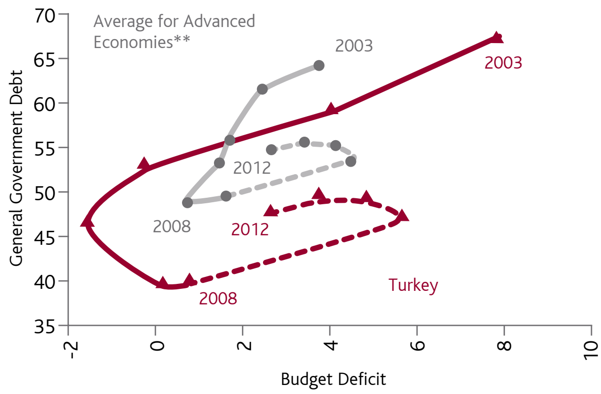
Table 7. Central Government Budget Performance and Targets
(In percent of GDP)

	2007	2008	2009*	2010**	2011**	2012**
Budget Expenditures	24.2	23.9	28.2	27.9	26.7	25.6
Non-Interest Expenditures	18.4	18.6	22.6	22.4	21.7	21.1
Personnel Expenditures	5.2	5.1	5.9	5.9	5.7	5.6
Transfers to Social Security	0.7	0.7	0.8	1.1	1.0	1.0
Purchase of Goods and Services	2.6	2.6	3.1	2.4	2.5	2.3
Current Transfers	7.5	7.4	9.7	9.9	9.8	9.6
Capital Expenditures	1.5	1.9	2.1	1.8	1.6	1.6
Capital Transfers	0.4	0.3	0.5	0.3	0.3	0.3
Interest Expenditures	5.8	5.3	5.6	5.5	4.9	4.5
Budget Revenues	22.6	22.1	22.7	23.0	22.6	22.4
Tax Revenues	18.1	17.7	18.2	18.8	18.8	18.7
Non-Tax Revenues	3.8	3.7	3.8	3.6	3.2	3.1
Budget Balance	-1.6	-1.8	-5.5	-4.9	-4.0	-3.2
Primary Balance	4.2	3.5	0.1	0.6	0.9	1.3

*GDP data from the MTP (2010-2012).
** Target.
Source: Ministry of Finance, MTP (2010-2012), Medium-Term Fiscal Plan (2010-2012), 2010 Central Government Budget Law.

Graph 19. General Budget Deficit and Debt
(In percent of GDP)





* Broken lines represent forecasts.
** USA, UK, Germany, France, Spain, Ireland, Iceland, Japan, Portugal, Israel, Greece, Italy, Austria, New Zealand and South Korea.
Source: IMF. Turkey data from the MTP (2010-2012) and the 2009 Annual Program, Ministry of Finance, Treasury.

* Broken lines represent forecasts.
** Hungary, Mexico, Romania, Argentina, Brazil, Bulgaria, Czech Republic, India, Indonesia, Israel, Malaysia, Poland, Singapore, South Africa.
Source: IMF. Turkey data from the MTP (2010-2012) and the 2009 Annual Program, Ministry of Finance, Treasury.

The CBRT has been implementing full-fledged inflation targeting regime as its monetary policy strategy since the beginning of 2006.

Table 8. EU-Defined Central Government Nominal Debt Stock Performance and Targets
(In percent of GDP)

	2007	2008	2009*	2010**	2011**	2012**
EU-Defined Central Government Nominal Debt Stock	39.4	39.5	46.5	49.0	48.8	47.8

*Forecast.
** Target.
Source: Medium-Term Program (2010-2012), Medium-Term Fiscal Plan (2010-2012), Treasury.

In an effort to observe the budget discipline, 2010 salaries of public officials are hiked in line with inflation forecasts. However, rate of increase in minimum wages were above inflation targets. Likewise, pensions received a higher raise relative to inflation forecasts. The government aims to boost the revenues-to-GDP ratio mainly by indirect tax revenues.

As projected by the MTP, debt-to-GDP ratio is expected to be back on a downward slope in the medium term thanks to the gradual narrowing of budget deficits (Table 8). Moreover, the government is planning to introduce a fiscal rule by 2011 to ensure budget discipline, restrain government debt over the medium term and strengthen the institutional framework. According to the MTP, the legal framework for the fiscal rule should be completed by the end of the first quarter in 2010. These legal measures are intended to ensure better management of expectations by enhancing the medium-to-long term predictability of fiscal policy.

2.2.4. Monetary Policy Implementations

Inflation-Targeting: General Framework

The CBRT has been implementing full-fledged inflation targeting regime as its monetary policy strategy since the beginning of 2006. The operational framework of the regime and its implications are briefly as follows:

The inflation target is defined as the annual percentage change in CPI, jointly set by the Government and the CBRT for a 3-year period. As part of the accountability framework, the CBRT also announces a symmetric uncertainty band around the target, and in case of any deviation from the band, the Bank submits an open letter to the Government including the underlying reasons of the deviation and present and future measures to bring inflation back to the target, by also making letter available to the public.

Accordingly, the Bank's inflation target for end-2009 has been set as 7.5 percent. To serve as the basis for accountability principle, the Bank has established a target-consistent path for every quarter-end and an uncertainty band of 2 percentage

Table 9. Target-Consistent Inflation Path, Uncertainty Band and Inflation Realizations in 2009

	March	June	Sep.	Dec.
Upper End of Uncertainty Band	11.70	10.80	10.50	9.50
Target-Consistent Path	9.70	8.80	8.50	7.50
Lower End of Uncertainty Band	7.70	6.80	6.50	5.50
Realizations	7.89	5.73	5.27	6.53

Source: CBRT.

Policy rates were lowered by a cumulative 850 basis points between January-November 2009.

points around the path (Table 9). The crisis-driven contraction in aggregate demand and the resulting fall in commodity prices, as well as tax incentives placed downward pressure on prices and caused inflation to fall sharply. Hence, inflation remained below the target path in June and September. Despite picking up slightly in the final quarter, largely due to the base effects of energy prices and high increases in unprocessed food prices, year-end inflation remained within the uncertainty band at 6.53 percent.

The main monetary policy instrument is the short-term interest rate in the Interbank Money Market and the Istanbul Stock Exchange Repo/Reverse Repo Market. Decisions on interest rates are taken by the MPC at pre-scheduled monthly meetings in a calendar year. After each meeting, the MPC releases a brief statement that explains the reasoning behind these decisions on the same day and a more detailed summary of each meeting within eight business days, both in Turkish and English. In 2009, MPC meetings were held as planned.

The main communication tool for monetary policy is the Inflation Report, which is published quarterly. Each Inflation Report contains a detailed analysis on inflation, macroeconomic and financial developments, CBRT's inflation forecasts, risk factors and possible policy responses. In 2009, Inflation Reports were published in January, April, July and October. The Bank also continued to publish Monthly Price Developments, which is another key communication tool.

Monetary Policy Implementations

In 2009, the CBRT pursued both its main objective of maintaining price stability and also sought to contain the adverse effects of the crisis on economic activity and financial stability. For that reason, the monetary easing, which had been launched in November 2008, gained momentum during the first months of 2009 with the growing expectation that year-end inflation would undershoot the target. Despite signs of a partial economic recovery since May 2009, the Bank continued to cut policy rates due to continued uncertainty about the strength and sustainability of the revival in demand and envisioning that it would take longer for the economy and employment prospects to recover. Accordingly, policy rates were lowered by a cumulative 850 basis points between January-November 2009. Given the mounting expectations of a moderate economic recovery, policy rates were left unchanged at the December 2009 MPC meeting (Table 10). Yet, in view of the unresolved problems across the global economy and the ongoing uncertainties about the strength of the recovery, the MPC underlined that policy rates might be kept at low levels for a long period of time.

Table 10. Monetary Policy Committee Meetings and Policy Decisions in 2009

MPC Meeting Dates	Policy Decisions	Policy Rates
Jan 15, 2009	-2.00	13.00
Feb 19, 2009	-1.50	11.50
Mar 19, 2009	-1.00	10.50
Apr 16, 2009	-0.75	9.75
May 14, 2009	-0.50	9.25
Jun 16, 2009	-0.50	8.75
Jul 16, 2009	-0.50	8.25
Aug 18, 2009	-0.50	7.75
Sep 17, 2009	-0.50	7.25
Oct 15, 2009	-0.50	6.75
Nov 19, 2009	-0.25	6.50
Dec 17, 2009	Left unchanged	6.50

Source: CBRT.

In 2009, the CBRT continued to implement floating exchange rate regime.

The CBRT, in order to maintain financial during the global financial crisis, also used other policy instruments effectively. Thus the Bank continued to implement measures taken in mid-2008 in order to ease the Turkish Lira and foreign exchange liquidity squeeze, to ensure the smooth functioning of money markets and to support the real sector in 2009 as well. Accordingly, in order to bolster Turkish Lira liquidity, conditions to grant Liquidity Support Credit to banks were revised in January and the corresponding rules and regulations were released on the CBRT's website. In addition to 1-week auctions the main funding instrument, the Bank launched 3-month repo auctions in June, and lowered the Turkish Lira reserve requirement ratio from 6 to 5 percent in October. To boost foreign exchange liquidity and to enhance the orderly functioning of the foreign exchange market, the Bank extended the maturity of foreign exchange deposits denominated in USD and Euro borrowed by commercial banks in February, cut lending rates for transactions of which the CBRT is a party, and held foreign currency selling auctions from March 10 to April 3, 2009. In order to support the real sector, the coverage of export rediscount credits was widened, more companies had access to these credits, and credit limits through new rules and regulations introduced in March and April were raised.

Exchange Rate Policy

In 2009, the CBRT continued to implement floating exchange rate regime, where exchange rates are determined by supply and demand conditions in the market. Accordingly, in order to enhance the smooth functioning of the foreign exchange market, the Bank holds foreign exchange buying and selling auctions. Auction conditions are transparently established according to a pre-announced schedule and they do not change unless there is an extraordinary circumstance in foreign exchange liquidity. To this end, foreign exchange selling auctions may be conducted in order to avoid non-competitive pricing resulting from the diminishing depth in the foreign exchange market and to provide the required liquidity to the market. During periods of ample foreign exchange liquidity, foreign exchange buying auctions may be conducted for reserve accumulation but also observing the market exchange rate. Yet, the CBRT may directly intervene in the market by buying or selling foreign exchange if there is extreme volatility. These interventions are designed to prevent extreme volatility in both directions.

After the direct selling intervention in June 2006 during the global liquidity crisis, the CBRT avoided direct market intervention. The Bank suspended foreign exchange buying auctions on October 16, 2008 in order to strengthen the foreign exchange position of banks. However, in view of the growing optimism about the global economy and the resulting improvement in liquidity conditions and the risk appetite as well as the relative stability in the foreign exchange market, the Bank resumed the auctions on August 4, 2009. The daily buying amount was limited to a maximum of 60 million USD, 30 million USD at auction and 30 million USD on option. Yet, in the face of non-competitive pricing due to loss of depth in the foreign exchange market, the Bank resumed foreign exchange selling auctions on March 10, 2009, with a daily amount of 50 million USD, and sold a total of 900 million USD in 18 auctions until April 3, 2009. As a result, the amount bought through foreign exchange buying/selling auctions totaled 3.4 billion USD in 2009. As of December 25, 2009, CBRT's gross foreign exchange reserves amounted to around 69.6 billion USD.

Monetary and Exchange Rate Policy for 2010

The general framework of the monetary and exchange rate policy for 2010 was announced to the public by the press release titled "Monetary and Exchange Rate Policy for 2010" on December 10, 2009. Accordingly, implementation of inflation targeting and the floating exchange rate regime will continue in 2010. The inflation target for end-2010 is determined as 6.5 percent. The uncertainty band surrounding the inflation target is preserved at 2 percentage points for 2010.

As part of its accountability framework, the CBRT will submit an open letter to the Government, if the inflation target is missed by a significant margin at the end of the year. In addition, should inflation deviate from the year-end target by more than 2 percentage points at the end of each quarter, Inflation Reports will serve to explain underlying reasons of the deviation and necessary present and future measures to meet the target.

The Turkish banking sector maintained its strength thanks to the reforms implemented decisively after the crisis of 2001.

2.3. FINANCIAL STABILITY DEVELOPMENTS AND OPERATIONS

In accordance with its main objective of price stability, the CBRT monitors the stability of the financial system as a whole and evaluates the risks and vulnerabilities of the system through Financial Stability Reports. Within this context, the analysis and assessments of developments related to the financial system during 2009 are presented in the Financial Stability Reports published in May and November 2009.

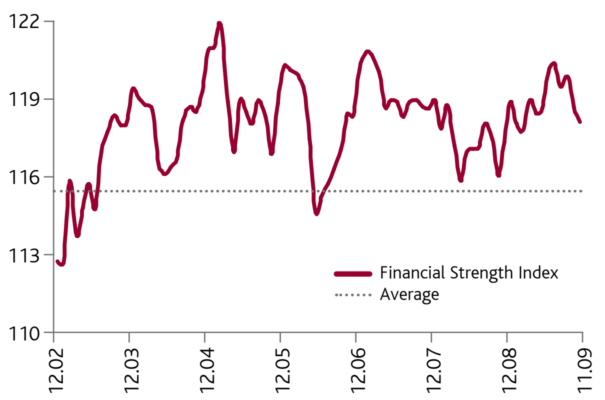
The impact of the crisis, which started in developed countries before worsening and spreading globally as of the last quarter of 2008, decreased in the third quarter of 2009 with the contribution of the monetary and fiscal measures that have been implemented. Despite developments in the financial markets, slow and unstable improvement of leading indicators of the global economy, continuing high unemployment rates and the existence of problems in the banking sector still pending to be fully solved, carry on the risks regarding sustainable and powerful recovery.

The Turkish banking sector maintained its strength thanks to the reforms implemented decisively after the crisis of 2001. A gradual recovery has recently been observed in loans with the impact on market interest rates of cumulative policy rate cuts since the last quarter of 2008, the liquidity measures taken and the improvement in risk perceptions. Moreover, the growth rate of non-performing loans slowed down in the last quarter of 2009.

Unlike many countries' banking sectors, the capital structures of which were severely affected by the global crisis, the capital structure of banks in Turkey grew even stronger on the back of recent high profits. A relative recovery has been observed in liquidity conditions with the support of the measures taken by the CBRT as well as the recent improvements in global risk perceptions and liquidity adequacy ratios of banks are maintained above the regulatory limits. Furthermore, the exchange rate risk aversion tendency of the banking sector continues.

The Financial Strength Index, which is monitored as an indicator of the soundness of the banking sector, rose due to the increases in the interest rate risk, profitability and capital adequacy sub-indices in the period between December 2008 and July 2009. Although the index declined after this period due to decreases in interest rate risk, profitability and liquidity sub-indices, it continued to maintain its high level in 2009 (Graph 20).

Graph 20. Financial Strength Index[1] (1999=100)



Source: BRSA, CBRT.
(1) The average used is the average of financial strength index between December 1999 and November 2009.

The volume and value of cheques cleared in the Interbank Clearing Houses Center decreased down to 19.3 million and 200.8 billion TL, respectively, in 2009.

2.4. PAYMENT AND SETTLEMENT SYSTEMS AND CURRENCY IN CIRCULATION

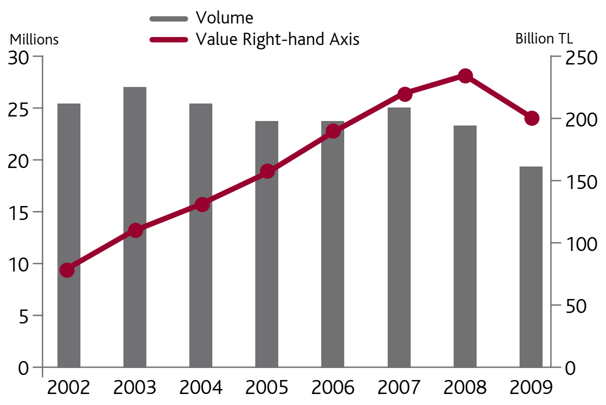
2.4.1. Cheque Clearing System

The Interbank Clearing Houses Center (ICH) performs its activities in Ankara and Istanbul Clearing Houses under the oversight of the CBRT.

The smooth and uninterrupted operation of the cheque clearing system, which plays a vital role with regard to the payment systems, is of the utmost importance. Therefore, with the aim of enhancing the quality and efficiency of services offered, technological developments and existing needs are taken into consideration and the required improvements are made regularly.

While the volume and the value of cheques cleared in the ICH in 2008 were 23.1 million and 234.3 billion TL, respectively, due to the slowdown in economic activities because of global turmoil, the volume and the value of cheques cleared decreased to 19.3 million and 200.8 billion TL, respectively, in 2009 (Graph 21).

Graph 21. Cheques Cleared in the Interbank Clearing Houses Center



Source: ICH

2.4.2. Alignment with European Union Acquis with Respect to Payment Systems

The activities regarding the preparation of the Payment Systems Law as part of the National Programme of Turkey for the adoption of the EU acquis continued in 2009.

Moreover, regulation no.2009/10, which amended the regulation on International Bank Account Number (IBAN), based on the requirements determined during the implementation of the existing regulation, was published in the Official Gazette December 19, 2009 No. 27437.

2.4.3. Retail Payment System Project

The CBRT plans to introduce a new retail payment system, in order to serve payments in the most efficient way and with a wider time window without being restricted to the working hours of TIC-RTGS, to reduce the risks of retail payments in the TIC-RTGS system, to provide the most effective and efficient infrastructure for existing and new retail payments, to allow non-banks to access payment systems, to have alternative payment channels to TIC-RTGS, to get ready for SEPA standards, and to facilitate the re-structuring of TIC-RTGS as a high value payment system in the light of international standards.

The work groups at the CBRT and the Banks Association of Turkey defined the specifications and working rules of the new system to a great extent. In this regard, consultancy studies were performed with the Central Bank of Belgium, the Central Bank of Germany, and SWIFT, each of which has experience in retail payment systems.

The Regional Payment Systems Workshop, which has been jointly organized by the CBRT and the CPSS of the BIS since 2001, was held in May 2009 in Izmir.

2.4.4. Inclusion of Turkish Lira in the CLS System

Efforts aimed at the inclusion of Turkish Lira among currencies that settle in the CLS system continued in 2009 in cooperation with banks that have already signed the letter of intent for becoming a settlement member in the CLS.

Within this scope, the analysis and design of the infrastructure requirements, of message specifications and of the programs to be used to connect TIC-RTGS to the CLS were completed to a great extent. In order to start the implementation project, the final decision of banks, which will be shareholders in the CLS, is expected.

2.4.5. Regional Payment Systems Workshop

The Regional Payment Systems Workshop, which has been jointly organized by the CBRT and the Committee on Payment and Settlement Systems (CPSS) of the Bank for International Settlements (BIS) since 2001, was held on 27-30 May 2009 in Izmir.

The workshop was attended by 50 central bankers from 23 countries. Various speeches and presentations were given at the workshop on the following topics: retail payments, oversight of retail payment systems, role of non-banks in retail payments systems, interdependencies of payment and settlement, Single Euro Payments Area (SEPA), innovations in retail payments (mobile banking). Moreover, parallel discussion sessions were held on interdependencies of payment systems and on the future of mobile banking.

2.4.6. TIC-RTGS & ESTS System Issues

2.4.6.1. Message Validation Application

The Message Validation Application has been implemented to validate the messages that are sent from host systems at the source of transmission in accordance with the TIC-RTGS & ESTS Operational Rule Book. The aim of this application is to improve the level of end-to-end straight-through-processing and to prevent erroneous messages at the very beginning of message transfer.

2.4.6.2. Improvement of Service Management

The management of services provided for TIC-RTGS & ESTS participants and CBRT users are re-arranged and established in ITILv3 standards. Consequently, applications to be used in the management processes have been developed and implemented. The new service management infrastructure and the accompanying applications that aim to improve the effective utilization of resources and user satisfaction will be in production in 2010.

2.4.6.3. TIC-RTGS & ESTS Business Continuity

In order to provide a high level of business continuity in TIC-RTGS & ESTS, it is important to monitor the appropriateness of the measures taken by the participant banks, to detect any deficiencies and to ensure their removal. Within this respect, a questionnaire was prepared and circulated to participants to collect the relevant data, and the responses were evaluated in a report.

As another effort towards ensuring business continuity in TIC-RTGS & ESTS, an initiative has been taken in 2009 to back-up the access of participants to the private network of the system, TICNET, using G.SHDSL infrastructure. Necessary router purchases and the foundation of data lines were completed. Following the testing and configuration steps, the new infrastructure is planned to be operational in the first half of 2010.

The yearly volume of money passing through TIC-RTGS & ESTS reached 23.70 trillion TL in 2009.

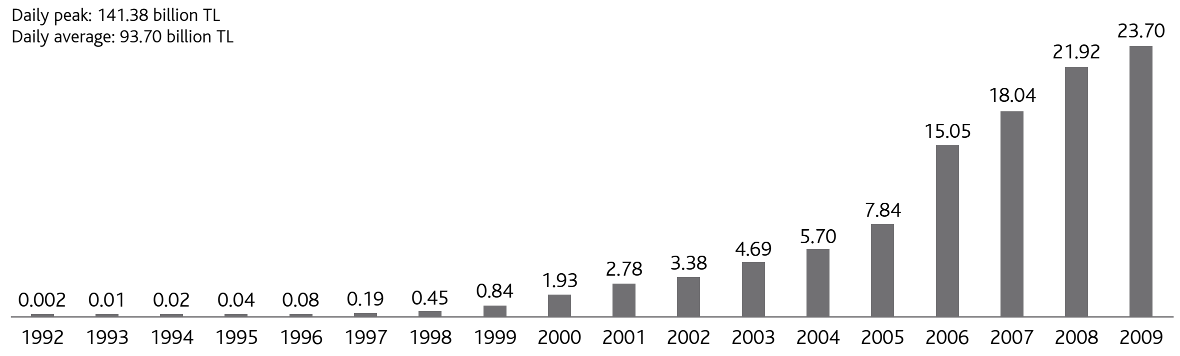
2.4.6.4. Usage Statistics of the TIC-RTGS & ESTS

The number of messages and the volume of money passing through TIC-RTGS & ESTS are increasing annually. The yearly total amount reached 23.70 trillion TL, with a maximum daily amount of 141.38 billion TL. The average daily amount of transactions was 93.7 billion TL in 2009 (Graph 22).

The number of transactions handled in the system was 130.1 million in 2009. The average daily number of messages was 514,187 in 2009. The daily number of transactions hit a peak of 1,094,739 on November 16, 2009 (Graph 23).

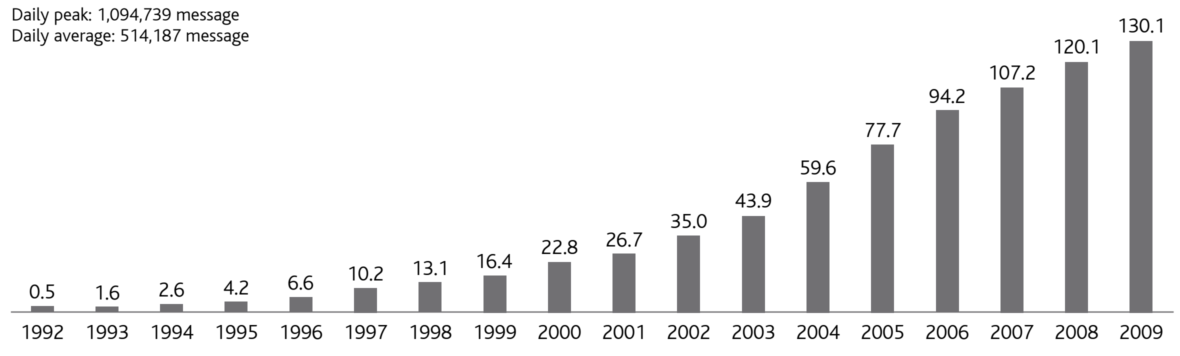
The number of participants in TIC-RTGS & ESTS is 48 as of end-2009.

Graph 22. Volume of Transactions in TIC-RTGS
(Trillion TL)



Source: CBRT.

Graph 23. Value of Transactions in TIC-RTGS
(Million Message)



Source: CBRT.

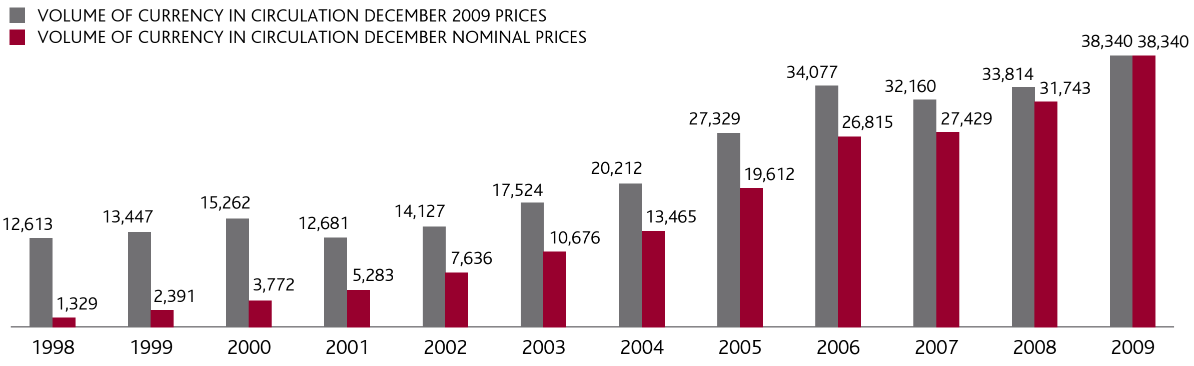
By the end of 2009, the real volume of currency in circulation increased by 13.4 percent.

2.4.7. Currency in Circulation

By the end of 2009, the volume of currency in circulation increased by 20.8 percent annually, reaching 38.3 billion TL. The real volume of currency in circulation increased by 13.4 percent (Graph 24).

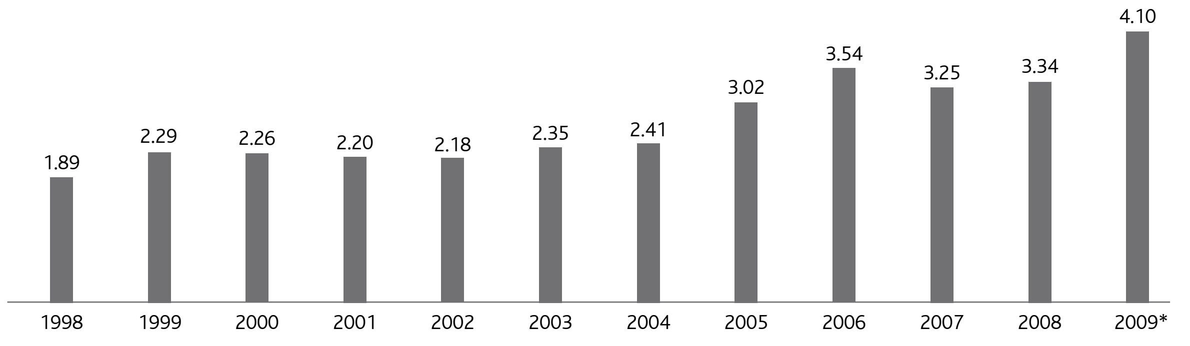
The ratio of currency in circulation to GDP was realized as approximately 2.2 percent between the years 1998-2004. After the currency reform in 2005, this ratio increased to approximately 3.5 percent between the years 2005-2009 (Graph 25).

Graph 24. Volume of Currency in Circulation
(Real and Nominal, 1998-2009)



Source: CBRT

Graph 25. Currency in Circulation / GDP



Source: CBRT, TURKSTAT
* GDP 2009 data are annualized by using the nine months data.

In 2009, a total transaction of 323.7 billion TL was realized through 21 branches, 14 banknote depots and the cash center.

Excluding 7th Emission Group TL banknotes, which are still in the redemption period, 803.3 million banknotes were in circulation as of December 31, 2009 and due to removing the prefix 'new' from new Turkish Lira, conversion reached 96.5 percent in value and 94.2 percent in amount.

By the end of 2009, 50 TL and 100 TL made up the largest shares in circulation both in terms of volume and value. The largest share of 2 denominations (50 and 100 TL) in the total reached 46.7 percent in units.

In 2009, a total transaction of 323.7 billion TL, (158.5 billion TL deposits vs. 165.2 billion TL payments), was realized through 21 branches, 14 banknote depots and the cash center.

Moreover, in 2009, 15.4 billion TL deposits and 15.7 billion TL payment transactions were made in banknote depots, which are established in 14 cities (Isparta banknote depot opened in 2009) where the CBRT does not have branches, with the aim of improving banknote quality and to meet the various cash demands of the market on time. In other words, almost 9.6 percent of the Bank's total transaction volume in 2009 was made through banknote depots.

The Cash Center, which operates on the Anatolian side of Istanbul, had a share of 9.9 percent in the total transaction volume with 32.1 billion TL, and ranks third among all branches.

Table 11. Banknotes in Circulation (as of December 31, 2009*)

DENOMINATION	AMOUNT	PERCENT	PIECES	PERCENT
200 TL	6,071,397,600.00	15.9%	30,356,988.00	3.8%
100 TL	15,553,557,200.00	40.7%	155,535,572.00	19.4%
50 TL	10,952,165,500.00	28.7%	219,043,310.00	27.3%
20 TL	2,545,534,600.00	6.7%	127,276,730.00	15.8%
10 TL	1,204,300,640.00	3.2%	120,430,064.00	15.0%
5 TL	521,450,420.00	1.4%	104,290,084.00	13.0%
TOTAL	**36,848,405,960.00**	**96.5%**	**756,932,748.00**	**94.2%**
100 YTL	644,128,850.00	1.7%	6,441,288.50	0.8%
50 YTL	478,632,000.00	1.3%	9,572,640.00	1.2%
20 YTL	91,149,050.00	0.2%	4,557,452.50	0.6%
10 YTL	56,504,100.00	0.1%	5,650,410.00	0.7%
5 YTL	47,606,690.00	0.1%	9,521,338.00	1.2%
1 YTL	10,581,926.50	0.0%	10,581,925.50	1.3%
TOTAL	**1,328,602,615.50**	**3.5%**	**46,325,054.50**	**5.8%**
GENERAL TOTAL	**38,177,008,575.50**	**100.0%**	**803,257,802.50**	**100.0%**

Source: CBRT
* Excluding 7th Emission Group Turkish Lira banknotes that are still in the redemption period.

The institutional decision making framework of reserve management has a three-tier hierarchical structure.

2.5. FOREIGN EXCHANGE RESERVE AND RISK MANAGEMENT

The Central Bank holds foreign exchange reserves to support a range of objectives, which include assisting the Turkish Government in meeting its foreign exchange denominated domestic and foreign debt obligations, maintaining foreign exchange liquidity against external shocks, supporting monetary and exchange rate policies and providing confidence to the markets. The legal basis for the Central Bank's reserve management practices is derived from Central Bank Law No. 1211. Additionally, legislation, guidelines and decisions taken by the Board based on the authority given by the Law constitute the other basis of foreign exchange and gold reserve management practices.

The institutional decision making framework of reserve management has a three-tier hierarchical structure. The Board, as the top decision making authority of the Central Bank, determines general investment criteria for reserve management by approving the Guidelines for Foreign Exchange Reserve Management, which are prepared in accordance with the reserve management priorities set by the Law as security, liquidity and return, respectively and authorizes the Executive Committee and the Foreign Exchange Risk and Investment Committee (FXRIC) to take decisions regarding implementation. The decisions made by the Executive Committee and the FXRIC in accordance with the Guidelines for Foreign Exchange Reserve Management approved by the Board constitute the second-tier of the institutional decision making process. In this stage, the Strategic Benchmark (SB), which reflects the general risk tolerance and investment strategy of the Bank, is determined and approved. According to the strategic asset allocation preferences of the Bank, the SB is determined by the FXRIC at each year-end to be implemented in the following year and becomes effective with the approval of the Executive Committee. The last tier of the institutional decision making process is the implementation of reserve management practices within the limits specified by the Guidelines and the SB. The reserve management activities are carried out within an organizational structure formed in accordance with the separation of duties principle. Accordingly, reserve management activities are performed by the Foreign Exchange Transactions Division, whereas risk management relating to reserve management operations is carried out by the Foreign Exchange Risk Management Division.

Based on the objectives and limits set by the Guidelines and the SB, reserve management operations are carried out through spot and forward purchases and sales of foreign exchange in international markets, time deposit transactions, purchase and sale of securities, repo and reverse repo transactions, securities lending transactions, derivative instruments for risk management purposes, export and import of foreign exchange banknotes, foreign exchange banknote shipment in-country among local branches.

The gold reserves of the Central Bank of the Republic of Turkey, which are of international standards, are managed within the regulations and constraints stated in the Law and the guidelines set by the Board. Pursuant to these guidelines, the CBRT may conduct outright purchase and sale transactions, gold deposit transactions and gold swap transactions. During 2009, there has been no change in the amount (ounce) of 116 tons of gold holdings, which is 5.5 percent of the reserves.

The control of risks that the Central Bank is exposed to during reserve management operations starts with the strategic assets allocation process, in other words, when defining the SB. Once the currencies and instruments to be used in reserve management and the duration target for investments are set, it means that the expected return and financial risks involved in reserve management are also determined to a great extent.

Reflecting the Bank's preferences regarding strategic asset allocation, the SB consists of the target currency composition, duration targets and related deviation limits from these targets, the number and size of sub-portfolios to be held in major reserve currencies, overall credit risk limits and the investment universe representing eligible transaction types, countries and instruments to invest in. While determining the SB, the aim is to ensure that an adequate return is obtained while observing capital preservation and liquidity constraints to devote the utmost importance to the prudent management of foreign exchange reserves, hence the national wealth of the

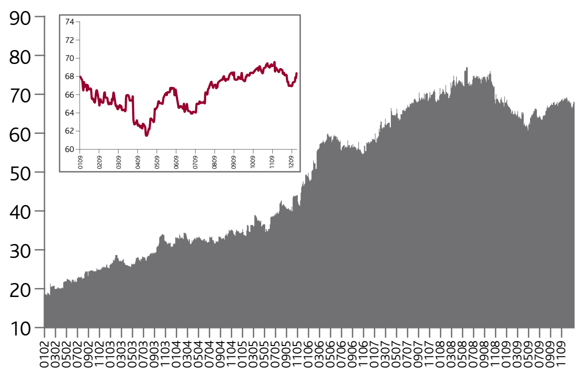
The global financial crisis continued to be one of the major variables taken into account while determining the Central Bank's reserve management strategies.

country. After the overall acceptable risk level is defined with respect to the Central Bank's risk tolerance through the SB, the existing risks are measured, recorded and monitored regularly.

The global financial crisis, which started in mid-2007 and deepened in 2008, continued, although to a lesser extent, to be effective in 2009, and hence to be one of the major variables taken into account while determining the Central Bank's reserve management strategies. Due to the significant increase in financial risks, a much more conservative approach has been followed in reserve management in 2009 and the necessary measures have been taken to preserve the value of reserve assets.

In brief, reserve and risk management practices have been performed in line with contemporary practices by taking into account the Central Bank's own requirements, theoretical and technical progress in reserve and risk management practices together with developments in the international economy and financial markets.

Graph 26. Foreign Exchange Reserves of CBRT
(Billion USD)



Source: CBRT

2.6. EUROPEAN UNION HARMONISATION ACTIVITIES

The screening process comprising the initial phase of European Union membership began on 3 October 2005 and ended on 13 October 2006. After the screening meetings, harmonization of legislation has been going on according to the Screening Reports prepared by the European Commission for each chapter.

Table 12 shows the developments on the relevant chapters, in which the Bank participated during the screening process.

Among the chapters that are directly related to the Bank, chapter "18 Statistics" and chapter "32 Financial Control" were opened to negotiations on 26 June 2007; chapter "4 Free Movement of Capital" was opened to negotiations on 19 December 2008, and preparations to fulfill closing benchmarks defined for these chapters continue in coordination with the relevant public institutions.

Of the chapters that are directly related to the Bank, chapter "9 Financial Services" as decided at the EU summit on 14-15 December 2006, is one of the eight chapters on which "negotiations will be blocked until Turkey fully implements its obligations on Cyprus". Although Turkey presented the position paper on chapter "17 Economic and Monetary Policy" on 9 March 2007, negotiations were not opened at the Intergovernmental Conference held on 26 June 2007. Chapter "33 Financial and Budgetary Provisions" is still under review by the Council.

For the sake of harmonization with EU legislation, preparations of the Payment Systems Law were continued by the related department of the Bank.

Among chapters which are indirectly related with the Bank, chapter "28 Consumer and Health Protection" was opened to negotiations on 19 December 2007, chapter "6: Corporate Law" was opened to negotiations on 17 June 2008 and chapter "16 Taxation" was opened to negotiations on 30 June 2009. Benchmarks for the opening of negotiations on chapter "19 Social Policy and Employment" were also established by the Council.

In order to monitor the progress achieved in alignment with the European Union Acquis and to report them to the Commission, the Bank continued to provide information on developments in the related chapters to the "National Data Base", compiled at the Secretariat General for the EU Affairs of the Prime Ministry of the Republic of Turkey. Furthermore, for the sake of harmonization with EU legislation, preparations of the Payment Systems Law within the context of chapter "4 Free Movement of Capital" and "chapter "9 Financial Services" were continued by the related department of the Bank.

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Table 12. Developments in the chapters in which the CBRT participated during the EU Screening Process

Directly Related Chapters	Final Status in Negotiations	Indirectly Related Chapters	Final Status in Negotiations
4. Free Movement of Capital	Opened to negotiations. (19 December 2008)	2. Free Movement of Workers	In process at the Council.
9. Financial Services	Opening of the chapter was blocked. (14-15 December 2006)	6. Company Law	Opened to negotiations. (17 June 2008)
17. Economic and Monetary Policy	Position Paper was presented. (9 March 2007)	16. Taxation	Opened to negotiations. (30 June 2009)
18. Statistics	Opened to negotiations. (26 June 2007)	19. Social Policy and Employment	Opening benchmarks have been defined.
32. Financial Control	Opened to negotiations. (26 June 2007)	28. Consumer and Health Protection	Opened to negotiations. (19 December 2007)
33. Financial and Budgetary Provisions	In process at the Council.		

The CBRT continued to implement an efficient communications policy in 2009 in accordance with the main principles of transparency, integrity, consistency and neutrality.

2.7. COMMUNICATIONS POLICY AND ACTIVITIES

As an indispensable part of the full-fledged inflation targeting regime, which has been implemented since 2006, and the principle of accountability, which has been brought by its instrument independence, the CBRT continued to implement an efficient communications policy in 2009 in accordance with the main principles of transparency, integrity, consistency and neutrality.

Pursuant to Article 42 of the Law on the CBRT, Governor Durmuş Yılmaz made presentations on economic outlook, and monetary and exchange rate policy implementations before the Council of Ministers on April 20 and October 26, 2009 and before the Planning and Budget Commission of the Turkish Grand National Assembly on April 21 and November 16, 2009.

Since 2000, in the context of accountability, the balance sheet and the income/expense statements of the CBRT have been subject to independent audit and the results of the audits have been announced to the public in a report. The Audit Report for 2009 was also disclosed to the general public on the CBRT website.

With the annual inflation rate reaching 10.06 percent in 2008, breaching the 6 percent-upper limit of the uncertainty band, the CBRT, under the principle of accountability, provided the Government and the public with the reasons for the deviation and the measures to be taken to meet the target in the future in an “open letter” on January 26, 2009. The CBRT also published open letters on July 29 and October 27, 2009 due to inflation realizing at the lower limit of the path consistent with the target.

In 2009, within the framework of the inflation targeting regime, the CBRT continued to announce the decisions of the MPC (Monetary Policy Committee) on short-term interest rates and summaries of MPC meetings via press releases on its website.

In order to ensure better understanding of monthly inflation data, the “Monthly Price Developments” report, continued to be published on the next working day following the release of inflation figures in 2009.

As the main communication tool, inflation reports were presented at press conferences by the Governor on January 26, April 30, July 29 and October 27, 2009.

The CBRT, which also aims to maintain financial stability as an auxiliary objective along with its main objective of price stability, released the Financial Stability Report on May 28 and November 24, 2009, in accordance with its pre-announced calendar of data release and shared its opinions about the financial sector and banking sector with the general public.

Furthermore, the CBRT informed the public effectively with regard to the measures which were or will be taken to remedy the effects of the global crisis via press releases throughout the year.

In 2009, the CBRT published studies about inflation targeting, core inflation, exchange rate dynamics, durable goods price dynamics, monetary policy, monetary aggregates, monetary shocks, developments in the aftermath of the global financial crisis, sticky rents, financial markets, credit market imperfections and Central Bank liquidity, wealth distribution and social security reform.

In 2009, the CBRT continued to inform the public about its policy implementations, its institutional structure and publications via the quarterly “Bulletin”, which started to be published in 2006. The Bulletin, which is distributed widely both in Turkey and abroad, is also accessible on the CBRT website.

The CBRT further diversified its communication tools by adding, on January 8, 2009, the “Non-residents' Holdings of Securities” to the list of periodic publications on its website. Furthermore, “Economic Notes”, a refereed publication

The CBRT organized a number of workshops, meetings and conferences, with a view to furthering mutual relationships and cooperation with fellow central banks, as well as international organizations.

prepared by the CBRT with the purpose of disseminating results from research on the Turkish economy with a particular emphasis on macroeconomic developments and issues relevant to monetary policy, and thereby contributing to discussions on economic issues in a timely fashion, began to be published on the website on November 2009.

In 2009, within the framework of the direct communications policy of the Bank, Governor Yılmaz continued to deliver various speeches and presentations introducing the policies and implementations of the Bank and analyzing current economic developments, both within the country and abroad. Within this framework, at conferences held by non-governmental organizations, such as the chambers of commerce and industry of Antalya, Samsun, Ankara and Eskişehir, which were open to the press, presentations were made on the economic outlook, and monetary and exchange rate policy. Likewise, briefings were given to media representatives, columnists and the economics editors of newspapers. Speeches delivered by the Governor and videos of some of his speeches are available on the CBRT website.

In 2009, presentations made and speeches delivered by members of the MPC and top executives of the Bank were also released on the CBRT website.

Informative programs were held both within the Bank and outside Ankara at the request of universities as well as public agencies and institutions in 2009, and students were informed about the history of the Bank, monetary and exchange rate policies and career opportunities.

In addition, the CBRT continued to provide financial aid in 2009 within the context of the Financial Support Program for Academic Studies, to support conferences held in areas of economics and finance, as well as other academic and policy-making studies. Various universities and institutions were provided with financial support in a total of 26 activities. Further information regarding the program is available on the CBRT website.

Similarly, presentations were made to officials of central banks of other countries on various subjects facilitating exchange of information.

Also in 2009, the CBRT continued to respond to requests for information, directed by BIMER (the Communication Center of the Prime Ministry) as well as those requests through the electronic mail address iletisimbilgi@tcmb.gov.tr, aimed at ensuring communication with persons, institutions and establishments outside the Bank pursuant to "the Law on Access to Information".

The CBRT, with a view to promoting Turkey in international economic platforms and furthering mutual relations and cooperation with fellow central banks, organized several workshops, meetings and conferences to elaborate on topics that are on the agenda at home and abroad. In this context, a workshop titled "The Financial Crisis and Its Impact on Reserve Management at Central Banks" was held on May 19-23, 2009. Additionally, meetings titled "the Society for Economic Dynamics Annual Meeting" (July 2-4, 2009) and "CBRT-ECB 8th High Level Policy Dialogue" (July 10, 2009), a presentation titled "Reform of the Global Financial System" (October 23-25, 2009), and a conference titled "Structural Transformation of Foreign Trade: Global Dynamics and Turkish Economy" (November 17, 2009) were held, respectively.

The Annual Meetings of the Boards of Governors of the World Bank Group and the IMF was held in Istanbul on October 6-7, 2009. The CBRT hosted several conferences, seminars, meetings and social activities, which were held outside the Congress Center. In this context, a conference titled "Where is Global Finance Heading?" (October 2, 2009), a meeting titled "The Meeting of the Central Banks and Monetary Authorities of the OIC Member Countries" (October 3, 2009), seminars titled "G30 International Banking" and "Islamic Finance: During and After the Global Financial Crisis" (October 5, 2009) were held.

PART 3 ADMINISTRATIVE AND SOCIAL AFFAIRS

20 TL

ARCHITECT KEMALEDDİN

Architect Kemaleddin (1870-1927) is accepted to be one of the pioneers of the national architectural trend through his architectural masterpieces and styles. Architect Kemaleddin was inspired by classical Ottoman architecture; blending the distinct characteristics of German architecture with those of Ottoman architecture and attempting to introduce a brand-new style.

Portrait, E-9 Emission Group
Depicted on the back of the 20 TL denomination from Series 1

As at end-2009, the total number of CBRT staff positions stands at 4,802.

3.1. STAFFING

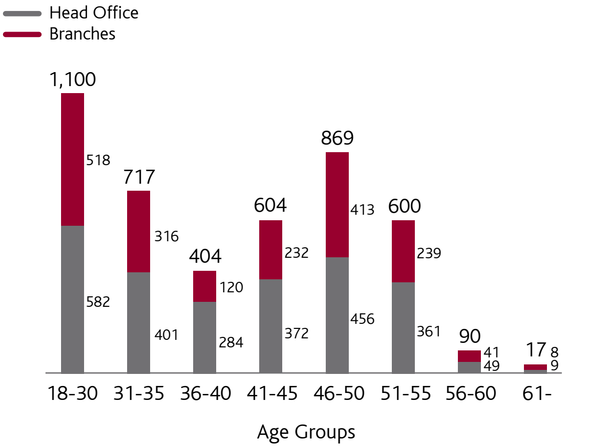
As at end-2009, the total number of CBRT staff positions stands at 4,802. The number of staff employed is 4,401 and the occupancy rate is 91.65 percent (Graph 27).

222 staff members have ceased employment due to retirement, resignation, dismissal, military service, transfer or death, while 160 employees have been recruited as senior economists, economists, researchers, assistant inspectors, civil defense specialists, assistant specialists, clerks, litigation clerks, security officers, counter clerk operators, support services employees, technicians, computer operators, and heads of departments due to the excess workload of some departments. In addition, 26 staff members, who had left the Bank for their military service, have returned. Consequently, the actual number of staff members was reduced by 36 to 4,401 by the end of the year compared to 2008.

The distribution of CBRT staff is as follows: 68.69 percent are represented by general administrative services, 6.82 percent by technical services, 0.25 percent by medical services, 0.32 percent by legal services, 7.36 percent by assistance services, and 16.56 percent by contract personnel.

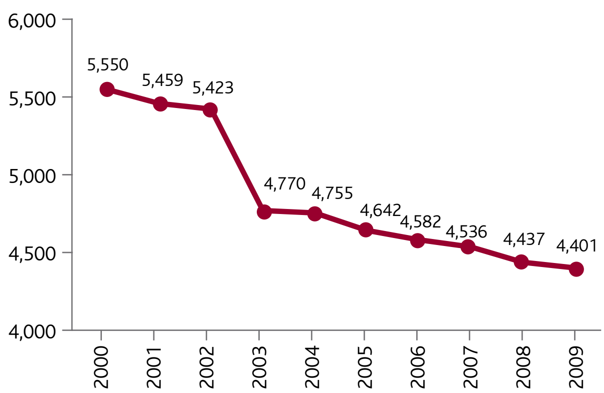
57.12 percent of CBRT staff work at the head office, while 42.88 percent work in the branches. Based on age distribution of the staff, 41.28 percent of our personnel fall in the range of 18-35 years. (Graph 28) Furthermore, the percentage of personnel with bachelors, masters and doctorate degrees equals 63.99 percent (Graph 29).

Graph 28. Age Distribution of Employees



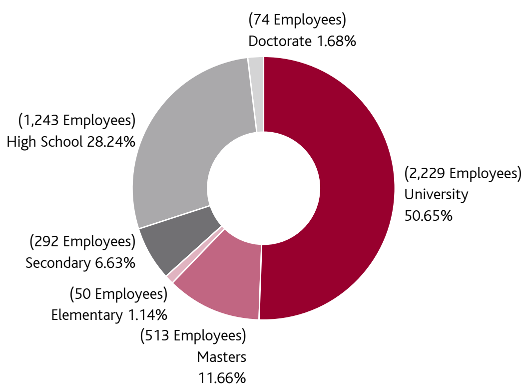
Source: CBRT

Graph 27. Number of Employees Between 2000-2009



Source: CBRT

Graph 29. Educational Distribution of Employees



Source: CBRT

In 2009, 4,856 people participated in training programs developed and organized by the CBRT and 733 people participated in programs developed and organized by other institutions.

Table 13. CBRT Branches and Representative Branches

Branches	Opening Year	(End 2009)
Adana	1969	75
Ankara	1931	269
Antalya	1963	64
Bursa	1969	74
Denizli	1974	55
Diyarbakır	1955	57
Edirne	1963	44
Erzurum	1959	51
Eskişehir	1954	58
Gaziantep	1956	58
İskenderun	1951	48
İstanbul	1931	405
İzmir	1932	160
İzmit	1983	71
Kayseri	1968	59
Konya	1974	52
Malatya	1977	58
Mersin	1933	54
Samsun	1933	57
Trabzon	1963	60
Van	1978	45
Representative Branches		
Frankfurt Representative Office	1976	4
London Representative Office	1977	4
New York Representative Office	1977	5
Tokyo Representative Office	1997	2

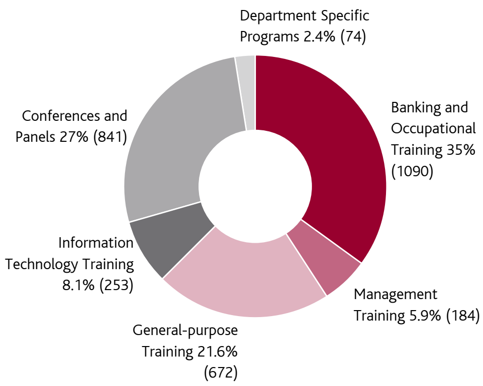
Source: CBRT

3.2. TRAINING ACTIVITIES

In 2009, 4,856 people participated in training programs developed and organized by the CBRT and 733 people participated in programs developed and organized by other institutions.

Of the 4,856 people who attended training programs in 2009, 3,114 are Bank's staff that participated in in-house training programs. In-house training programs are categorized as follows: banking and occupational training, management training, general-purpose training, information technology training, department specific programs and conferences. The distribution of participants according to this categorization is presented in Graph 30.

Graph 30. In-house Training Programs (Bank Employees)



Source: CBRT

145 Bank employees participated in programs organized by other institutions within the 'Financial Support for Academic Studies Program'.

The remaining 1,742 is composed of university students (1,641) joint internship programs at the Bank, employees of other institutions (63) (Undersecretariat of Treasury, etc.) and foreign bank participants (38) (Graph 31).

260 people attended short-term training programs organized by other institutions in Turkey, 128 people participated in short-term programs abroad (Graph 32).

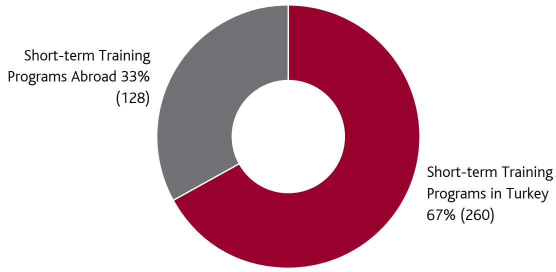
145 Bank employees participated in programs organized by other institutions within the 'Financial Support for Academic Studies Program'.

In 2009, 97 personnel, 22 of whom started their education in 2009, continued education in graduate programs in Turkey; while 71 personnel, 17 of whom started their education in 2009, have been pursuing graduate degrees abroad (Graph 33).

32 Bank personnel were assigned as lecturers/speakers in training activities of different institutions.

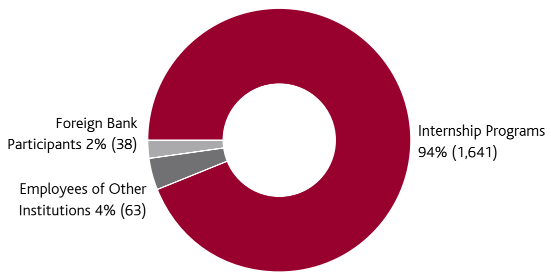
13 theses written by assistant specialists were examined and evaluated by thesis committees.

Graph 32. Training Programs (Other Institutions)



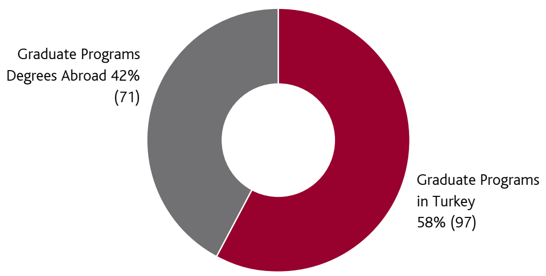
Source: CBRT

Graph 31. In-house Training Programs (Other Participants)



Source: CBRT

Graph 33. Bank Employees Pursuing Graduate Degrees



Source: CBRT

The Exhibition of "Abstract Tendencies in Turkish Painting from the Collection of the Central Bank of the Republic of Turkey" was held between November 03-30, 2009 in Luxembourg.

3.3. RECREATION, ART AND SPORTS ACTIVITIES

The Exhibition of "Abstract Tendencies in Turkish Painting from the Collection of the Central Bank of the Republic of Turkey" was held between November 03-30, 2009 in Luxembourg at BGL BNP Paribas Espace Royal Monterey. A special catalogue was published in Turkish, English, and French as a memento of the exhibition, which presented examples of Turkish Artists' works of abstract and abstraction, which made its mark post-1950.

With selected works of art from the Bank's Art Collection, exhibitions were held at the Art Gallery of the Central Bank of the Republic of Turkey.

Within the framework of the project "A Heritage of a Thousand Years," which extensively reflects the historical and social phases that have shaped the musical tradition of Anatolia, three Turkish Music CDs and a booklet have been published and a promotional concert has been given during which samples of the works on the CDs were performed with the aim of supporting the promotion of our country's cultural values at national and international levels.

With regard to sporting activities, the CBRT hosted the biennial "Conference of the Presidents and Secretaries of the Sports and Cultural Associations of the European Central Banks" in İstanbul. The CBRT also hosted the Chess Tournament in Antalya with the participation of the Turkic Republics Central Banks and local banks.

The CBRT teams attended tournaments in chess (Hungary), tennis (Portugal), table tennis (Greece), and bridge (Belgium), which were organized by central banks that are members of the Sports and Cultural Associations of European Central Banks. The football and ladies volleyball teams attended the "5th Central Banks' Tournament" hosted by the Central Bank of Albania.

Furthermore, the "Central Bank of the Republic of Turkey Employees Memorial Forest" was established at Atatürk Forest Ranch, on the route of the Eskişehir Highway in cooperation with the Ministry of Environment and Forestry.

PART 4 FINANCIAL STATEMENTS

50 TL

FATMA ALİYE

Fatma Aliye (1862-1936), Turkey’s first female philosopher, is regarded as one of the first female authors of Turkish Literature. Fatma Aliye lived during the Tanzimat Period and defended women’s rights in that period by generally writing on subjects such as women’s place in society, the family and marriage and the importance of women’s education.

Portrait, E-9 Emission Group
Depicted on the back of the 50 TL denomination from Series 1

4.1. COMPARATIVE FINANCIAL STATEMENTS OF THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

4.1.1. Comparative Balance Sheets

ASSETS	31.12.2008 (TL)	31.12.2009 (TL)	Change (TL)
I. Gold	5,016,930,628	6,374,873,001	1,357,942,373
A. International Standard	4,883,048,695	6,205,039,056	1,321,990,361
B. Non-International Standard	133,881,933	169,833,945	35,952,012
II. Foreign Exchange	107,384,842,158	106,476,994,883	(907,847,275)
A. Convertible	107,384,842,157	106,476,994,882	(907,847,275)
a. Foreign Banknotes	570,646,308	410,946,434	(159,699,874)
b. Correspondent Accounts	106,549,027,991	105,799,335,573	(749,692,418)
c. Reserve Tranche Position	265,167,858	266,712,875	1,545,017
B. Non-convertible	1	1	-
a. Foreign Banknotes	1	1	-
b. Correspondent Accounts	-	-	-
III. Coins	59,450,844	88,416,043	28,965,199
IV. Domestic Correspondents	213,234,300	221,337,900	8,103,600
V. Securities Portfolio	33,653,502,314	39,692,302,230	6,038,799,916
A. Government Securities	33,653,502,314	39,692,302,230	6,038,799,916
a. Bonds	30,965,502,313	32,905,435,233	1,939,932,920
b. Treasury Bills	2,688,000,001	6,786,866,997	4,098,866,996
B. Other	-	-	-
VI. Domestic Credit	388,941	485,835,628	485,446,687
A. Banking Sector	388,941	485,835,628	485,446,687
a. Rediscount	388,941	485,835,628	485,446,687
b. As per Art 40/1-c of Law No.1211	-	-	-
c. Other	-	-	-
B. Credit to SDIF	-	-	-
VII. Open Market Operations	20,060,924,685	35,265,339,657	15,204,414,972
A. Repurchase Agreements	20,060,924,685	35,265,339,657	15,204,414,972
a. Cash	20,060,924,685	33,249,339,657	13,188,414,972
i. Foreign Exchange	-	-	-
ii. Securities	20,060,924,685	33,249,339,657	13,188,414,972
b. Securities	-	2,016,000,000	2,016,000,000
B. Other	-	-	-
VIII. Foreign Credit	38,110,832	33,564,251	(4,546,581)
IX. Share Participations	23,558,899	23,697,527	138,628
X. Fixed Assets	286,178,430	280,849,187	(5,329,243)
A. Buildings and Buildings Sites	325,514,040	329,121,228	3,607,188
Depreciation Allowance for Real Estate (-)	(58,714,482)	(65,086,993)	(6,372,511)
B. Furniture and Fixtures	96,964,035	100,355,085	3,391,050
Depreciation Allowance for Furniture and Fixtures (-)	(77,585,163)	(83,540,133)	(5,954,970)
XI. Claims under Legal Proceedings (Net)	-	-	-
A. Claims under Legal Proceedings	2,284,170,904	2,281,703,849	(2,467,055)
B. Provision for Past-Due Receivables (-)	(2,284,170,904)	(2,281,703,849)	2,467,055
XII. Treasury Liabilities Due to SDR Allocation	264,067,449	2,533,694,809	2,269,627,360
XIII. Revaluation Account	-	-	-
XIV. Accrued Interest and Income	43,692,232	139,814,492	96,122,260
XV. Miscellaneous Receivables	211,399,173	483,483,576	272,084,403
XVI. Other Assets	42,072,128	57,524,956	15,452,828
TOTAL	**167,298,353,013**	**192,157,728,140**	**24,859,375,127**
REGULATING ACCOUNTS	**638,550,629,116**	**747,720,777,338**	**109,170,148,222**

4.1.1. Comparative Balance Sheets

LIABILITIES	31.12.2008 (TL)	31.12.2009 (TL)	Change (TL)
I. Currency Issued	31,743,434,114	38,340,278,128	6,596,844,014
II. Liabilities to Treasury	316,271,096	330,883,342	14,612,246
A. Gold	14,534,052	18,468,864	3,934,812
B. Reserve Tranche Means	265,167,858	266,712,875	1,545,017
C. Other (Net)	36,569,186	45,701,603	9,132,417
III. Foreign Correspondents	1,142,565	1,193,442	50,877
A. Convertible	1,142,565	1,193,442	50,877
B. Non-Convertible	-	-	-
IV. Deposits	90,435,791,272	89,359,637,306	(1,076,153,966)
A. Public Sector	13,303,585,743	20,471,316,000	7,167,730,257
a. Treasury, General and Special Budget Administrations	13,096,653,746	20,352,141,689	7,255,487,943
b. Public Economic Institutions	14,612	29,283	14,671
c. State Economic Enterprises	75,231,876	60,061,695	(15,170,181)
d. Other	131,685,509	59,083,333	(72,602,176)
B. Banking Sector	52,644,479,862	46,652,131,467	(5,992,348,395)
a. Free Deposits of Domestic Banks	38,993,289,854	33,570,379,897	(5,422,909,957)
b. Foreign Banks	8,741,586	9,335,378	593,792
c. Required Reserves (Central Bank's Law. Art 40)	13,642,395,433	13,072,370,155	(570,025,278)
i. Cash	13,642,395,433	13,072,370,155	(570,025,278)
ii. Gold (Net Grams)	-	-	-
d. Other	52,989	46,037	(6,952)
C. Miscellaneous	20,789,598,339	19,471,705,890	(1,317,892,449)
a. Foreign Exchange Deposits By Citizens Abroad	20,723,599,973	19,406,635,188	(1,316,964,785)
b. Other	65,998,366	65,070,702	(927,664)
D. International Institutions	6,200,879	7,148,343	947,464
E. Extrabudgetary Funds	3,691,926,449	2,757,335,606	(934,590,843)
a. Saving Deposit Insurance Fund	980,396	18,771,150	17,790,754
b. Other	3,690,946,053	2,738,564,456	(952,381,597)
V. Liquidity Bills	-	-	-
VI. Open Market Operations	29,935,299,998	47,331,936,054	17,396,636,056
A. Repurchase Agreements	19,999,999,998	35,017,436,054	15,017,436,056
a. Cash	-	2,017,436,055	2,017,436,055
i. Foreign Exchange	-	-	-
ii. Securities	-	2,017,436,055	2,017,436,055
b. Securities	19,999,999,998	32,999,999,999	13,000,000,001
B. Other	9,935,300,000	12,314,500,000	2,379,200,000
VII. Foreign Credit	13,760,458	13,861,842	101,384
A. Short-Term	-	-	-
B. Medium and Long-Term	13,760,458	13,861,842	101,384
VIII. Advances, Collateral and Deposits Collected Against Letters of Credit and Import	776,821,985	679,678,222	(97,143,763)
A. For Letters of Credit	776,818,299	679,674,536	(97,143,763)
B. For Imports	3,686	3,686	-
IX. Notes and Remittances Payable	29,571,137	37,382,219	7,811,082
X. SDR Allocation	264,067,449	2,533,694,809	2,269,627,360
XI. Capital	46,233,524	46,233,524	-
A. Paid-in Capital	25,000	25,000	-
B. Inflation Adjustment for Paid-in Capital	46,208,524	46,208,524	-
XII. Reserves	3,037,217,433	3,691,281,261	654,063,828
A. Ordinary and Extraordinary Reserves	2,682,955,485	3,335,529,535	652,574,050
B. Special Reserves (CBRT's Law, Art. 59)	889,471	2,379,249	1,489,778
C. Inflation Adjustments for Reserves	353,372,477	353,372,477	-
XIII. Provisions	469,771,668	606,314,777	136,543,109
A. Provisions for Pension Commitments	84,564,344	92,526,988	7,962,644
B. Provision for Taxes	339,854,215	465,750,157	125,895,942
C. Other Provisions	45,353,109	48,037,632	2,684,523
XIV. Revaluation Account	6,377,223,126	5,010,103,620	(1,367,119,506)
XV. Accrued Interest and Expenses	1,468,712,031	919,143,373	(549,568,658)
XVI. Miscellaneous Payables	52,324,516	53,477,875	1,153,359
XVII. Other Liabilities	339,942,713	464,385,529	124,442,816
XVIII. Profit of the Period	1,990,767,928	2,738,242,817	747,474,889
TOTAL	**167,298,353,013**	**192,157,728,140**	**24,859,375,127**
REGULATING ACCOUNTS	**638,550,629,116**	**747,720,777,338**	**109,170,148,222**

4.1.2. Comparative Profit and Loss Statements

	01.01.2008 – 31.12.2008 (TL) (*)	01.01.2009 – 31.12.2009 (TL)	CHANGE (TL)
Interest Income	6,281,942,449	6,180,531,808	(101,410,641)
Interest Expense	(5,264,551,439)	(4,062,481,191)	1,202,070,248
I - Net Interest Income (Expense)	1,017,391,010	2,118,050,618	1,100,659,608
Fee and Commission Income	60,966,229	63,862,100	2,895,871
Fee and Commission Expense	(8,086,772)	(9,782,439)	(1,695,667)
II - Net Fee and Commission Income (Expense)	52,879,457	54,079,661	1,200,204
Non - Interest Income	3,969,842,715	3,563,064,288	(406,778,427)
Non - Interest Expense	(2,709,491,039)	(2,531,201,593)	178,289,446
III - Net Non - Interest Income (Expense)	1,260,351,676	1,031,862,695	(228,488,981)
IV- Net Profit (Loss) Before Tax (I+II+III)	2,330,622,143	3,203,992,974	873,370,831
V - Tax Provision	(339,854,215)	(467,750,157)	(125,895,942)
VI - Net Profit (Loss)	1,990,767,928	2,738,242,817	747,474,889

(*) In 2009, Interest Income and Non-Interest Income items of the Profit and Loss Statement were reclassified and the income figures for 2008 were rearranged for comparison purposes.

4.2. EXPLANATIONS RELATED TO THE BALANCE SHEET DATED 31.12.2009, AND THE PROFIT AND LOSS STATEMENT

4.2.1 The Central Bank of the Republic of Turkey Accounting Principles and Policies

4.2.1.a. Fundamental Principles for Accounting Practices

Social responsibility, economic entity, going concern, periodicity, monetary unit, historic cost, neutrality and documentation, consistency, full disclosure, prudence, substance over form, and materiality principles, which are the underlying assumptions of accounting, are also the basis of accounting practices of the Central Bank of the Republic of Turkey (the Bank).

4.2.1.b. Accounting Policies

The Basis for Recognition

The Bank prepares its statutory financial statements in accordance with Turkish Commercial Code and Tax Legislation and the Law of the Central Bank of the Republic of Turkey No.1211 (the Bank's Law). According to Article 57 of the Bank's Law, the accounting period is defined as the calendar year.

Acquisition costs are used in bookkeeping entries. Securities, gold reserves and foreign currency assets and liabilities are recorded at their fair value. Transactions are booked in records on their value date.

Since inflation adjustment conditions were realized as of December 31, 2003 and as of December 31, 2004, non-monetary items on the financial statements of the Bank were restated. As the conditions for inflation adjustment have disappeared, the adjustment was not executed between the years 2005 - 2009.

Gold and Foreign Currency Transactions

Gold reserves are revalued quarterly using the average of gold prices quoted at 10.30 and at 15.00 on the London Exchange by taking 1 ounce of gold = 31,1035 grams. Assets and liabilities denominated in foreign currency are valued at the foreign currency purchase rate of the Bank on the balance sheet date. Differences arising from the currency revaluation of assets and liabilities denominated in foreign currency as well as differences arising from price and currency revaluation of gold are recorded as unrealized gains and losses in the "Revaluation Account" as per Article 61 of the Bank's Law.

Within the framework of the process of compliance to the European Union Acquis, the gain or loss arising from the purchase and sale of foreign exchange is calculated according to the "average cost" method as described in the "Guideline of the European Central Bank on the Legal Framework for Accounting and Financial Reporting in the European System of Central Banks" and reflected in financial statements.

Securities

The securities portfolio consists of government securities purchased directly and under repurchase agreements in order to regulate the money supply and liquidity in the economy in line with the monetary policy targets pursuant to Article 52 of the Bank's Law. Turkish currency denominated securities that are purchased by the Bank on its own account and under repurchase agreements are recognized initially at their acquisition cost and revalued to their fair values at month ends. Fair value is calculated based on the weighted average price occured in İstanbul Stock Exchange for the transactions with same value date. In absence of these prices, the prices of related securities published in the Official Gazette by the Bank on a daily basis are used for the fair value calculation. The accrued interest on the securities purchased under repurchase agreements, calculated as the difference between the acquisition cost and sale price on the settlement date, is reflected in the income statement.

The differences between the acquisition cost and fair value of the securities that are purchased directly and sold under reverse repurchase agreements are reflected in the income statement.

4.2. EXPLANATIONS RELATED TO THE BALANCE SHEET DATED 31.12.2009, AND THE PROFIT AND LOSS STATEMENT

4.2.1 The Central Bank of the Republic of Turkey Accounting Principles and Policies

Securities denominated in foreign currency are shown, in “Correspondent Accounts” under the “Foreign Exchange” item, at their fair value calculated using the closing prices in the related international markets at the end of each month. Differences between the acquisition cost and fair value are reflected in the income statement. Clean prices are used for coupon bonds.

Liquidity Bills

The item “Liquidity Bills” consists of issues of the Bank’s liquidity bills whose maturity do not exceed 91 days and that are tradable in the secondary markets for the Bank’s own account and on its behalf with an aim to efficiently regulate the money supply and liquidity in the economy within the framework of monetary policy targets pursuant to Article 52 of the Bank’s Law. The Bank recognizes liquidity bills at the issuing amount and revalues at fair value at month ends. Differences between the fair value and issued amount are reflected in the income statement at month ends.

Income Recognition

All incomes and expenses are recognized on an accrual basis. Accrued incomes and expenses are calculated for interests of undue receivables and payables, with regard to the periodicity principle, at the end of each month.

According to Article 61 of the Bank’s Law, the unrealized revaluation gains and losses, arising from the revaluation of gold, foreign exchange and foreign exchange indexed items due to a change in the value of the Turkish currency, are monitored in a temporary account named “Revaluation Account”. The realized exchange differences are reflected in the income statement on the date of occurrence.

Repurchase and Reverse Repurchase Transactions of the Securities

In repurchase transactions; securities are bought with a commitment to sell the security back at a later date at a price, specified on the value date based on a contract made on the transaction date. Securities purchased under repurchase agreement are included in the securities portfolio. Cash receivables resulting from the purchase of the securities are shown in the assets under “VII. Open Market Operations / A. Repurchase Agreements / a. Cash / ii. Securities” item and securities payable are shown in the liabilities under “VI. Open Market Operations / A. Repurchase Agreements / b. Securities” item. On the value date, the difference between the resale price and purchase price of securities is reflected in the income statement.

Interest income to be received from banks due to repurchase agreements and interest expense to be paid to banks are recognized on an accrual basis at the interest rate stated in transaction contracts at the end of each month.

In reverse repurchase transactions; securities are sold with a commitment to buy the security back at a later date at a price, specified on the value date based on a contract made on the transaction date. Securities sold under the repurchase agreement are removed from the securities portfolio and are shown in the assets under “VII. Open Market Operations / A. Repurchase Agreements / b. Securities” item. Cash debts at due date are shown in the liabilities under “VI. Open Market Operations / A. Repurchase Agreements / a. Cash / i. Securities” item. The difference between the cost and sale price is reflected in the income statement on the value date. At the maturity date, the securities subject to reverse repurchase transactions are recorded to the securities portfolio account at the repurchase price.

4.2. EXPLANATIONS RELATED TO THE BALANCE SHEET DATED 31.12.2009, AND THE PROFIT AND LOSS STATEMENT

4.2.1 The Central Bank of the Republic of Turkey Accounting Principles and Policies

Fixed Assets

Fixed assets (land, property and equipment) are recognized at acquisition cost; while land is shown on the balance sheet at cost, properties and equipments are shown at their net value after deducting their depreciation.

Provisions

According to Article 59 of the Bank's Law, provisions in amounts deemed appropriate by the Board may be set aside from the gross annual profit of the Bank in order to meet contingent risks, which may occur in the following years due to the operations exclusive to the Bank. As of year-end, provisions are set for employee termination benefits, tax and internal insurance funds.

Employee Termination Benefits

The Bank maintains provisions for retirement pay and employee termination benefits, which it is obliged to pay for its employees in the coming years. For the obligations of the current year, provisions are maintained in respect of services of employees, which are used as the basis for retirement pay and employee termination benefits.

Retirement pay and employee termination benefits are paid on the retirement of employees or in the case of layoffs. The amount payable is calculated according to the title and tenure of the personnel in accordance with related laws.

Taxation

The Bank, established as a "joint stock company", as per Article 1 of the Bank's Law, is a corporate taxpayer. Moreover, the Bank is responsible for withholding tax, as per Article 94 of the Individual Income Tax Law, on wages, outsourcing payments, interest on deposits, etc. and as per Article 30 of the Corporate Income Tax Law, on the payments made to firms subject to limited tax liability except for commercial, agricultural and other earnings; and on payments made for the transfer or sale of intangible rights.

The Bank is a taxpayer of Banking and Insurance Transactions Tax but not of Value Added Tax. Although the Bank is not responsible for Value Added Tax, as per Article 3065 of the Value Added Tax Law, it is obliged to withhold Value Added Tax on payments for purchases of imported commodities and services. The Bank is also a Stamp Tax payer for documents except for those mentioned as exemptions in Article 64 of the Bank's Law.

Participations

As per Article 3 of the Bank's Law, the Bank has participation shares in the Bank For International Settlements (BIS) and the Society for Worldwide Interbank Financial Telecommunication (SWIFT). The values of these participations are converted into Turkish Lira using year-end buying exchange rates. As dividends and changes in values of shares reflected directly at the profit and loss statement, unrealized gains and losses due to changes in exchange rates are recognized in the balance sheet as per Article 61 of the Bank's Law.

4.2.2. Detailed Balance Sheet Dated 31.12.2009

ASSETS	AMOUNT IN TURKISH CURRENCY ACCOUNTS TL	AMOUNT IN FOREIGN CURRENCY ACCOUNTS TL	TOTAL IN TURKISH CURRENCY ACCOUNTS TL	TOTAL IN FOREIGN CURRENCY ACCOUNTS TL	TOTAL TL
I. Gold					
A. International Standard (Net Gram)....116,103,752.76				6,205,039,056	
B. Non-International Standard (Net Gram) 3,177,797.62			169,833,945		6,374,873,001
II. Foreign Exchange					
A. Convertible					
a. Foreign Banknotes		410,946,434			
b. Correspondent Accounts		105,799,335,573			
c. Reserve Tranche Position		266,712,875		106,476,994,882	
B. Non-Convertible					
a. Foreign Banknotes		1			
b. Correspondent Accounts		-		1	106,476,994,883
III. Coins			88,416,043		88,416,043
IV. Domestic Correspondents			-	221,337,900	221,337,900
V. Securities Portfolio					
A. Government Securities					
a. Bonds	32,905,435,233				
b. Treasury Bills	6,786,866,997		39,692,302,230	-	
B. Other					39,692,302,230
VI. Domestic Credit					
A. Banking Sector					
a. Rediscount		485,835,628			
b. As per Art 40/c of Law No.1211					
c. Other				485,835,628	
B. Credit of SDIF			-		485,835,628
VII. Open Market Operations					
A. Repurchase Agreements					
a. Cash					
i. Foreign Exchange		-			
ii. Securities	33,249,339,657				
b. Securities	2,016,000,000		35,265,339,657	-	
B. Other			-		35,265,339,657
VIII. Foreign Credits				33,564,251	33,564,251
IX. Share Participations				23,697,527	23,697,527
X. Fixed Assets					
A. Buildings and Building Sites	329,121,228				
Depreciation Allowance for Real Estate (-)	(65,086,993)		264,034,235		
B. Furniture and Fixtures	100,355,085				
Depreciation Allowance for Furniture and Fixtures (-)	(83,540,133)		16,814,952		280,849,187
XI. Claims under Legal Proceedings (Net)					
A. Claims under Legal Proceedings				2,281,703,849	
B. Provision for Past –Due Receivables (-)			(2,281,703,849)		-
XII. Treasury Liabilities Due to SDR Allocation				2,533,694,809	2,533,694,809
XIII. Revaluation Account			-		-
XIV. Accrued Interest and Income			139,814,492		139,814,492
XV. Miscellaneous Receivables			481,144,289	2,339,287	483,483,576
XVI. Other Assets			57,378,109	146,847	57,524,956
TOTAL			**73,893,374,103**	**118,264,354,037**	**192,157,728,140**
REGULATING ACCOUNTS					**747,720,777,338**

Buildings Insured for TL 290,407,954
Furnitures and Fixtures Insured for TL 100,097,945

Prevailing rediscount and advance rates:
Against bills to mature in maximum 3 months:
-Rediscount rate 15.00%
-Advance rate 16.00%

4.2.2. Detailed Balance Sheet Dated 31.12.2009

LIABILITIES	AMOUNT IN TURKISH CURRENCY ACCOUNTS TL	AMOUNT IN FOREIGN CURRENCY ACCOUNTS TL	TOTAL IN TURKISH CURRENCY ACCOUNTS TL	TOTAL IN FOREIGN CURRENCY ACCOUNTS TL	TOTAL TL
I. Currency Issued			38,340,278,128		38,340,278,128
II. Liabilities to Treasury					
A. Gold (Net Gram)...345,574.68			18,468,864		
B. Reserve Tranche Means				266,712,875	
C. Other (Net)			45,662,455	39,148	330,883,342
III. Foreign Correspondents					
A. Convertible				1,193,442	
B. Non-Convertible				-	1,193,442
IV. Deposits					
A. Public Sector					
a. Treasury, General and Special Budget Administrations	4,925,719,297	15,426,422,392			
b. Public Economic Institutions	29,283				
c. State Economic Enterprises	55,405	60,006,290			
d. Other	59,083,333		4,984,887,318	15,486,428,682	
B. Banking Sector					
a. Free Deposits of Domestic Banks	26,169,285,738	7,401,094,159			
b. Foreign Banks	9,335,378	-			
c. Required Reserves (Central Bank Law art. 40)					
i. Cash	-	13,072,370,155			
ii. Gold (Net Grams)					
d. Other	46,037	-	26,178,667,153	20,473,464,314	
C. Miscellaneous					
a. Foreign Exchange Deposits By Citizens Abroad		19,406,635,188			
b. Other	2,623,286	62,447,416	2,623,286	19,469,082,604	
D. International Institutions			7,148,343		
E. Extrabudgetary Funds					
a. Savings Deposit Insurance Fund	17,059	18,754,091			
b. Other	135,635,185	2,602,929,271	135,652,244	2,621,683,362	89,359,637,306
V. Liquidity Bills			-		-
VI. Open Market Operations					
A. Repurchase Agreements					
a. Cash					
i. Foreign Exchange		-			
ii. Securities	2,017,436,055				
b. Securities	32,999,999,999		35,017,436,054	-	
B. Other			12,314,500,000		47,331,936,054
VII. Foreign Credit					
A. Short-Term				-	
B. Medium and Long-Term				13,861,842	13,861,842
VIII. Advances, Collateral and Deposit Collected Against Letters of Credit and Imports					
A. For Letters of Credit				679,674,536	
B. For Imports			3,686	-	679,678,222
IX. Notes and Remittances Payable			-	37,382,219	37,382,219
X. SDR Allocation				2,533,694,809	2,533,694,809
XI. Capital					
A. Paid-in Capital			25,000		
B. Inflation Adjustment for Paid-in Capital			46,208,524		46,233,524
XII. Reserves					
A. Ordinary and Extraordinary Reserves			3,335,529,535		
B. Special Reserves (CBRTR Law Art. 59)			2,379,249		
C. Inflation Adjustment for Reserves			353,372,477		3,691,281,261
XIII. Provisions					
A. Provisions for Pension Commitments			92,526,988		
B. Provisions for Taxes			465,750,157		
C. Other Provisions			48,037,632		606,314,777
XIV. Revaluation Account			5,010,103,620		5,010,103,620
XV. Accrued Interest and Expenses			919,143,373		919,143,373
XVI. Miscellaneous Payables			2,378,924	51,098,951	53,477,875
XVII. Other Liabilities			270,553,607	193,831,922	464,385,529
XVII. Profit of the Period			2,738,242,817		2,738,242,817
TOTAL			**130,329,579,434**	**61,828,148,706**	**192,157,728,140**
REGULATING ACCOUNTS					**747,720,777,338**

4.2.3. Explanations Related to the Balance Sheet Dated 31.12.2009

Assets:

1. Gold

Gold holdings are composed of international standards and non-international standards of gold, the year-end balance of which totals TL 6,374,873,001, equivalent to 119,281,550.38 net grams. Gold holdings on the balance sheet are valued using 1 net gram of gold = TL 53.44391467 calculated as 1 ounce of gold = USD 1,104, based on prices quoted on the London stock exchange as of December 31, 2009.

	Net Grams	(TL)
International Standard	116,103,752.76	6,205,039,056
Non-International Standard	3,177,797.62	169,833,945
Total	**119,281,550.38**	**6,374,873,001**

While the value of gold holdings of international standards, which was TL 4,883,048,695, equivalent to 116,103,752.76 net grams as of the end of the year 2008, shows a decrease of TL 27,198,816 due to the depreciation of USD against Turkish Lira during the year, it increases by TL 1,349,189,177 due to an increase in the price of 1 ounce of gold from USD 865 in 2008 to USD 1,104 in 2009. It amounts to TL 6,205,039,056 showing a total increase of TL 1,321,990,361 at the end of the year 2009.

33,670,645.06 net grams of the gold holdings of international standards owned by the Bank, is stored in the vaults of the Head Office, whereas 82,433,107.70 net grams is held at foreign correspondents.

Gold holdings of non-international standards, which was equal to TL 133,881,933 and 3,183,297.12 net grams as of the end of the year 2008, increased by TL 35,952,012 reaching TL 169,833,945 at the end of 2009. Despite a decrease of TL 231,296 equivalent to 5.5 kg. due to the minting of service medals to be distributed to Bank personnel who had completed their 20th year of service and TL 744,440 due to the depreciation of USD against Turkish Lira, gold holdings of non-international standards increased by TL 36,927,748 due to the increase in the price of 1 ounce of gold.

2. Foreign Exchange

This item consists of the accounts opened by the Bank with foreign correspondents against convertible and non-convertible foreign exchange, the Reserve Tranche Position held with the IMF, as well as foreign banknotes available in the Bank's vaults. The balance of this account, evaluated at year-end buying rates, amounts to TL 106,476,994,883 of which TL 106,476,994,882 and TL 1 are convertible and non-convertible amounts, respectively.

a- Convertible

This item includes the convertible foreign exchange accounts with Foreign Correspondents, amounting to TL 105,799,335,573, the Reserve Tranche Position amounts to TL 266,712,875 and the foreign banknotes in the vaults of the Bank's branches amounts to TL 410,946,434 as of the end of the year.

b- Non-Convertible

While Foreign Correspondents Accounts, which were opened in accordance with bilateral agreements, have no balance as of December 31, 2009, the balance of non-convertible foreign banknotes available in the vaults of the Bank's branches amounts to TL 1 as of the end of the year.

3. Coins

This item consists of coins available in the Bank's vaults, amounting to TL 88,416,043 at the end of the year.

4.2.3. Explanations Related to the Balance Sheet Dated 31.12.2009

4. Domestic Correspondents

This item consists of both Correspondent Accounts that were opened in accordance with the domestic correspondence agreement and foreign exchange deposit operations held in the Foreign Exchange Market.

Due to the recent problems in international markets, the Bank has resumed its activities as an intermediary in the foreign exchange deposit markets in the Foreign Exchange and Banknotes Markets Division until uncertainties are eliminated in the international markets, with a view to contributing to the enhancement of the mobilization of foreign exchange liquidity in the Interbank Foreign Exchange Market since 2008. With a balance of USD 141 million and TL 213,234,300 at the end of 2008, the year-end balance of this foreign exchange deposit is TL 221,337,900, equivalent to USD 147 million showing an increase of TL 8,103,600.

5. Securities Portfolio

Government Debt Securities, which equaled TL 33,653,502,314 as of the end of 2008, include government securities bought from public banks and banks under the Savings Deposits Insurance Fund in 2001, which were later exchanged for long-term securities in October of the same year, outright purchases from the secondary market as well as securities purchased in the secondary market under repurchase agreements. While the securities item decreased by TL 2,016,000,000 due to the selling of securities under reverse repurchase agreements, by TL 5,286,753,998 due to redemption and by TL 112,324,663 due to the decrease in the portfolio cost of securities from repurchases under reverse repurchase agreements, it increased by TL 13,000,000,000 due to the purchase of securities under repurchase agreements and TL 263,346,470 due to the outright purchases through auction and by TL 190,532,107 due to fair value adjustment. The year and balance of this item is TL 39,692,302,230.

Due to repurchase operations between the Bank and other banks, increases and decreases in this item must be evaluated along with securities in the "VII- Open Market Operations / A. Repurchase Agreements / b) Securities" item on the assets side and "VI- Open Market Operations / A. Repurchase Agreements / b) Securities" item on the liabilities side of the balance sheet.

6. Domestic Credit

This item includes credit extended to the Banking Sector and the Savings Deposit Insurance Fund.

The year-end balance of rediscounted credits extended against FX securities was TL 485,835,628 equivalent to USD 255,073,744 and EUR 47,109,703.

Since the total advance extended to the Savings Deposit Insurance Fund, collateralized by Treasury-issued securities in 2004 was redeemed early on 9 May 2005, this item has no balance as of the end of 2009.

	TL
A) Banking Sector	485,835,628
a) Rediscount Credit	485,835,628
b) As per Art, 40/c of Law No 1211	-
c) Other	-
B) Credit to Savings Deposit Insurance Fund	-
TOTAL	**485,835,628**

7. Open Market Operations

This item, which represents cash claims of the Bank from repurchase agreements and money market operations and security claims of the Bank from reverse repurchase agreements; has a balance of TL 35,265,339,657 at the end of the year due to cash claims of the Bank from repurchase agreements amounting to TL 33,249,339,657 and security claims of the Bank from reverse repurchase agreements amounting to TL 2,016,000,000.

4.2.3. Explanations Related to the Balance Sheet Dated 31.12.2009

8. Foreign Credit

This item consists of credit extended in accordance with the Banking Agreement between the Bank and the Central Bank of Sudan and credit extended in accordance with the Banking Agreement between the Bank and the Central Bank of Albania concerning claims on non-performing loans due to the Banking Regulation terminated on December 31, 1990. The balance of this item decreased to TL 33,564,251, equivalent of USD 22,291,459.69 in 2009, from TL 38,110,832 equivalent of USD 25,200,576.77 in 2008, as principal installments of USD 2,827,912.08 and USD 81,205.00 were received from the Central Bank of Sudan and Central Bank of Albania respectively.

9. Share Participations

The balance of this account is TL 23,697,527 at the end of the year. In accordance with Article 3 of the Bank's Law, this item consists of the Bank's accounts of SDR 10,000,000 in the Bank for International Settlements in Basle and EUR 22,000 held with the Society for Worldwide Interbank Financial Telecommunication (SWIFT). The value of these participations is calculated at the rate of 1 SDR = TL 2.3650 and 1 Euro = TL 2.1603.

10. Fixed Assets

This item, which had a balance of TL 280,849,187 as of year-end, consists of net values of buildings, furniture and fixtures owned by the Bank less their allowance for depreciation and cost of lands.

The value of real estate, which was TL 325,514,040 in the previous year, reached TL 329,121,228 after the additions of TL 3,607,188 this year. The net value of real estate is TL 264,034,235 after deducting the accumulated depreciation of buildings totaling TL 65,086,993.

The net value of furniture and fixtures is TL 16,814,952, after deducting accumulated depreciation totaling TL 83,540,133 from the value of furniture and fixtures, totaling TL 100,355,085. The value of furniture and fixtures increased by TL 3,391,050 compared to the previous year.

11. Claims under Legal Proceedings

This account shows claims on the Central Bank of Iraq, which was TL 2,142,314,462 (equivalent of USD 1,422,802,989.77) as well as claims arising from credit amounting to TL 139,389,387 (equivalent of USD 92,574,475.48), which was extended against bills bought by the Bank from the Enka Construction and Industry Joint Stock Company regarding the Iraq Bekhme Dam project. As the provision of TL 2,281,703,849 was set for these claims as an offsetting item, this account has no balance as of the end of the year.

12. Treasury Liabilities Due to SDR Allocation

This item consists of the allocation of SDR 1,071,329,729 equivalent of TL 2,533,694,809, which was allocated to Turkey by the IMF and used by the Treasury. In addition to the amount of SDR 112,307,000, previously allocated, in 2009, the general SDR Allocation of SDR 883,122,365 and the special SDR allocation of SDR 75,900,364 were allocated on August 28 and September 9 respectively. It is recorded reciprocally with the "X-SDR Allocation" on the liability side.

13. Revaluation Account

This item consists of unrealized losses arising from the revaluation of gold and foreign exchange in both assets and liabilities. This account had no balance as the unrealized gains occurred at the end of 2009.

14. Accrued Interest and Income

The accrued interest and income as of the end of the year 2009 is TL 139,814,492 which mostly consists of accrued interest income due to Repurchase Agreements.

4.2.3. Explanations Related to the Balance Sheet Dated 31.12.2009

15. Miscellaneous Receivables

This item, which shows a balance amounting to TL 483,483,576 at the end of the year, consists of TL 481,144,289 in Turkish currency and TL 2,339,287 in foreign currencies, the breakdown of which is as follows:

	TL
- Provisional Tax to be Deducted from the Corporate Tax Payable	349,757,438
- Income Tax to be Deducted from the Corporate Tax Payable	67,024,965
- TL Deposits Accounts with National Banks Abroad	61,252,022
- Foreign Exchange Differences Received from General and Special Budget Administrations	1,424,070
- Letters of Credit of the Banknote Printing Plant	700,712
- Advances and Deposits	563,943
- Other	21,139
TOTAL	**481,144,289**

16. Other Assets

This item shows various claims of the Bank, amounting to TL 57,524,956 at year-end, and consists of TL 57,378,109 in Turkish currency and TL 146,847 in foreign currencies.

LIABILITIES:

1. Currency Issued

The year-end balance of currency in circulation, issued in accordance with Article 36 of the Bank's Law, amounts to TL 38,340,278,128, an increase of TL 6,596,844,014 compared to the previous year.

2. Liabilities to the Treasury

The year-end balance of liabilities to the Treasury amounts to TL 330,883,342, an increase of TL 14,612,246 compared to the previous year.

a- Gold

The value of gold claims of the Treasury, which amounts to TL 18,468,864 and 345,574.68 net grams, increased by TL 3,934,812 over the previous year, due to the increase in the price of 1 ounce of gold, despite the depreciation of USD against Turkish Lira, during the year.

b- Reserve Tranche Means

Due to the portion of Turkey's IMF quota of SDR 1,191.3 million, which was paid as gold and foreign exchange, the Treasury has a Reserve Tranche Means of SDR 112,775,000 presented reciprocally with the "Reserve Tranche Position" in the assets. The year-end balance of this item is TL 266,712,875.

c- Other

This item, which shows the net liabilities to the Treasury resulting from various transactions, amounts to TL 45,701,603 at the end of 2009.

4.2.3. Explanations Related to the Balance Sheet Dated 31.12.2009

3. Foreign Correspondents

This account shows the Bank's debt to correspondents abroad and has a balance of TL 1,193,442 in convertible foreign exchange.

a- Convertible

Convertible foreign exchange liabilities consist of foreign correspondents accounts and accounts of foreign central banks with the Bank. The year-end balance of this item is TL 1,193,442, which indicates an increase of TL 50,877 compared to the previous year.

b- Non-Convertible

This item consists of accounts opened in accordance with bilateral agreements and has had no balance since 2005.

4. Deposits

The year-end balance of this account is TL 89,359,637,306, the breakdown of which is as follows:

	Turkish Currency (TL)	Foreign Currency (TL)
A) Public Sector	4,984,887,318	15,486,428,682
a) Treasury, General and Special Budget Administrations	4,925,719,297	15,426,422,392
i) Treasury	4,826,827,816	14,610,169,630
ii) General Budget Administrations	92,568,840	816,252,762
iii) Special Budget Administrations	6,322,641	-
b) Public Economic Institutions	29,283	-
c) State Economic Enterprises	55,405	60,006,290
d) Other	59,083,333	-
B) Banking Sector	26,178,667,153	20,473,464,314
a) Free Deposits of Domestic Banks	26,169,285,738	7,401,094,159
b) Foreign Banks	9,335,378	-
c) Required Reserves (Article 40 of the Central Bank Law)	-	13,072,370,155
i) Cash	-	13,072,370,155
ii) Gold (Net grams)	-	-
d) Other	46,037	-
C) Miscellaneous	2,623,286	19,469,082,604
a) Foreign Exchange Deposits by Citizens Abroad	-	19,406,635,188
b) Other	2,623,286	62,447,416
D) International Institutions	7,148,343	-
E) Extra-budgetary Funds	135,652,244	2,621,683,362
a) Savings Deposit Insurance Fund	17,059	18,754,091
b) Other	135,635,185	2,602,929,271
Total	**31,308,978,344**	**58,050,658,962**

4.2.3. Explanations Related to the Balance Sheet Dated 31.12.2009

5. Liquidity Bills

Liquidity bills, issued in accordance with Article 52 of the Bank's Law, for the first time in 2007, has no balance in 2009.

6. Open Market Operations

This item, which shows cash debts of the Bank from reverse repurchase agreements and money market operations, as well as security debts of the Bank from repurchase agreements, has a balance of TL 47,331,936,054 at the end of the year. TL 32,999,999,999 of this balance represents security debts of the Bank from repurchase agreements, TL 2,017,436,055 and TL 12,314,500,000 of this balance represents cash debts of the Bank from reverse repurchase agreements and Interbank Money Market Operations respectively.

7. Foreign Credit

This item shows non-guaranteed trade arrears, amounting to TL 13,861,842 at the end of 2009.

8. Advances, Collateral and Deposits Collected against Letters of Credit and Import

The balance of this item is TL 679,678,222 at the end of 2009. Of this total, TL 679,674,536 represents credit transactions of foreign exchange sales and TL 3,686 represents goods, equivalents and guarantees deposited at the Bank pursuant to import regulations.

9. Notes and Remittances Payable

The year-end balance of this item amounting to TL 37,382,219 consists of payment orders to be made to beneficiaries.

10. SDR Allocation

This item, presented reciprocally with the "Treasury's Liabilities due to SDR Allocation" in the assets, shows the liability to the IMF amounting to TL 2,533,694,809, equivalent of SDR 1,071,329,729, allocated to Turkey by the IMF and used by the Treasury. In addition to the amount SDR 112,307,000, previously allocated, in 2009, general SDR Allocation of SDR 883,122,365 and special SDR Allocation of SDR 75,900,364 were allocated on August 28 and September 9 respectively.

11. Capital

Capital is composed of paid-in capital of TL 25,000, which consists of 250,000 shares, each with a nominal value of TL 0.10, pursuant to Article 5 of the Bank's Law; and inflation adjustment differences of paid-in capital of TL 46,208,524, as per the decrees of Law No. 5024.

4.2.3. Explanations Related to the Balance Sheet Dated 31.12.2009

The composition of shares according to their classes is presented below:

Category	Number of Shares	Percent of Total	(TL)
A	136,800	54.72	13,680
B	64,340	25.74	6,434
C	54	0.02	5
D (*)	48,806	19.52	4,881
Paid-in capital	250,000	100.00	25,000
Inflation adjustment for paid-in capital			**46,208,524**
TOTAL			**46,233,524**

(*) 53 shares, transferred to the Treasury due to the Civil Law, are in category D.

The entire category of A shares belongs to the Treasury. With its shares in category D, the total share of the Treasury in the capital is 54.74 percent. Category B shares are completely assigned to the national banks. The composition of category B shares according to shareholders is presented below:

Category B	Number of Shares	Percent of Total	(TL)
T.C. Ziraat Bankası A.Ş.	48,057	19.23	4,806
T. Garanti Bankası A.Ş.	6,208	2.48	621
T. İş Bankası A.Ş.	5,818	2.33	582
T. Halk Bankası A.Ş.	2,774	1.11	277
Yapı ve Kredi Bankası A.Ş.	1,386	0.55	138
Akbank T.A.Ş.	75	0.03	8
Türk Ekonomi Bankası A.Ş.	22	0.01	2
TOTAL	**64,340**	**25.74**	**6,434**

Banks, other than national banks, and privileged companies can hold category C shares, which are limited to 15,000 shares. There are 54 shares for category C, all of which belong to ING Bank and these shares compose 0.02 percent of total shares as of the year-end.

12. Reserves

This item includes both reserve funds retained in accordance with Articles 59 and 60 of the Bank's Law, and Article 469 of the Turkish Commercial Code, and inflation adjustment differences as per Law No. 5024, which came into effect after being published in the Official Gazette No. 25332 on December 30, 2003. The year-end balance of this item is TL 3,691,281,261.

	TL
A. Ordinary and Extraordinary Reserves	3,335,529,535
B. Special Reserves (Article 59 of Law No. 1211)	2,379,249
C. Inflation Adjustment Difference for Reserves	353,372,477
TOTAL	**3,691,281,261**

4.2.3. Explanations Related to the Balance Sheet Dated 31.12.2009

The balance of Ordinary Reserves, which amounted to TL 969,954,848 in 2008, increased to TL 1,436,079,277 at the end of 2009 due to the allocation of 20 percent of the net profit of 2008 to ordinary reserves amounting to TL 466,124,429.

Extraordinary reserves, which had a balance of TL 1,713,000,637 at the end of the 2008, amounted to TL 1,899,450,258 at the end of the 2009 due to the allocation of TL 186,449,621, which was 10 percent of the remaining amount of the net profit of 2008 after deductions specified in the Article 60 of the Bank's Law.

13. Provisions

This item, with a balance of TL 606,314,777 at year-end, consists of provisions retained from the Bank's gross profit to meet various risks, for transport insurance of valuables, for pension commitments and for tax pursuant to Article 59 of the Bank's Law.

	TL
A. Provisions for Pension Commitments	92,526,988
B. Tax Provisions	465,750,157
C. Other Provisions	48,037,632
TOTAL	**606,314,777**

14. Revaluation Account

This item consists of unrealized gains arising from the revaluation of gold and foreign exchange on both the assets and liabilities sides. The balance of this item is TL 5,010,103,620 at year-end.

15. Interest and Expense Accruals

The year-end balance of this item, which is TL 919,143,373, mainly comprises interest accruals due to Foreign Exchange Deposits by Citizens Abroad and required reserves.

16. Miscellaneous Payables

This account amounts to TL 53,477,875 at the end of the year and consists of the Bank's debts of TL 2,378,924 in Turkish currency and TL 51,098,951 in foreign currencies.

17. Other Liabilities

This item, amounting to TL 464,385,529 at the end of the year, consists of the Bank's debts of TL 270,553,607 in Turkish currency and TL 193,831,922 in foreign currencies.

4.2.4. Detailed Profit and Loss Account for 01.01.2009- 31.12.2009 Period

PROFIT AND LOSS ACCOUNT OF THE CBRT 01.01.2009 - 31.12.2009	(TL)
I- NET PROFIT / (LOSS) FROM TL TRANSACTIONS	(778,582,929)
1- Net Profit / (Loss) from TL Securities Portfolio	634,376,838
2- Net Profit / (Loss) from Open Market Operations, Liquidity Bills and Money Market Operations	471,093,665
a- Net Profit / (Loss) from Open Market Operations	1,304,006,565
b- Net Profit / (Loss) from Money Market Operations	(832,912,900)
3- Interest Paid to TL Required Reserves	(1,379,172,481)
4- Other	(504,880,950)
a- Provision Expense for Past-Due Receivables	2,467,055
b- Operating Expenses	(533,835,883)
c- Other	26,487,877
II- NET PROFIT / (LOSS) FROM FX TRANSACTIONS	3,982,575,902
1- Net Profit / (Loss) from FX Reserves	3,985,564,472
a- FX Portfolio and Deposit Revenues	1,639,858,861
b- Interest Paid to FX Deposits by Citizens Abroad	(569,911,238)
c- Interest Paid to FX Deposits and Required Reserves	(1,627,867)
d- Gold and FX Net Profit	2,917,244,716
2- IMF Use of Fund Credit and Charges	(2,988,569)
III- NET PROFIT / (LOSS) (I + II)	3,203,992,974

The distribution of the Bank's net profit, pursuant to Article 60 of Bank's Law is specified as follows:

	TL
Net Profit of 2009	3,203,992,974
1. Reserves	(897,117,883)
Ordinary Reserves (Article 60 of Law No.1211)	640,798,595
Extraordinary Reserves	256,319,288
2. Shareholders	(3,000)
First Dividends	1,500
Second Dividends	1,500
3. Bonus to Personnel	(7,667,114)
4. Tax Provisions	(465,750,157)
Corporate Tax	465,750,157
Remainder	1,833,454,819

4.2.5. Explanations on Profit and Loss Account for the Period 01.01.2009-31.12.2009

The net loss of the Bank from TL transactions is TL 778,582,929. As of the end of 2009, the Bank has an interest income of TL 634,376,838 from its Turkish lira government securities portfolio. Net income from open market operations is TL 1,304,006,565, net loss from money market operations is TL 832,912,900, and interest of TL 1,379,172,481 is paid to the Turkish Lira required reserves.

The Bank has a net profit of TL 3,982,575,902 from foreign currency operations. As of the end of 2009, TL 1,639,858,861 is gained from the foreign currency portfolio and deposit accounts. Interest of TL 569,911,238 is incurred for foreign exchange deposits by citizens abroad, TL 1,627,867 for foreign exchange deposits and TL 2,988,569 for resources from the IMF. The net gain of gold and foreign exchange operations is TL 2,917,244,716.

The distribution of operating expenses incurred for operational activities of the Bank in the last two years is shown below on the basis of the expenditure items at 2003 prices:

At 2003 prices, TL	2008	2009	% Change
I- Personnel Expenses	227,547,178	250,760,211	10
II- Other Expenses	33,860,814	34,799,973	3
III-Banknote Printing Expenses	25,356,238	39,309,014	55
TOTAL	**286,764,230**	**324,869,198**	**13**

In 2009, an increase in personnel expenses, other expenses and banknote printing expenses is observed compared to 2008.

- Personnel expenses; cover salaries, fringe benefits, social security, health and education expenses and travel allowances. Within the framework of the policy of decreasing personnel expenses by increasing efficiency through utilizing qualified human capital by employing a small number of employees with higher qualifications as well as implementing up-to-date technology, the number of personnel decreased by 36 percent from 6,880 in 1997 to 4,419 in 2009.

Compared to the previous year, there is a 10 percent increase in personnel expenses. There is also an 11 percent increase in salaries and fringe benefits, which constitute a significant portion of personnel expenses, compared to 2008. In 2009, the amount of gross salaries paid to members of the Board, the Executive Committee and Auditing Committee of the Bank was TL 3,262,185. This amount accounts for 1 percent of total salaries and fringe benefits paid to personnel in 2009.

- Other expenses; there is a 3 percent increase in 2009 with respect to the previous year. This increase results from the increase in renting expenses, heating, lightning and water expenses, communication expenses, representative office expenses, transportation expenses of banknotes and expenses related to social activities with respect to the year 2008.

There are no significant changes in other expenditure items.

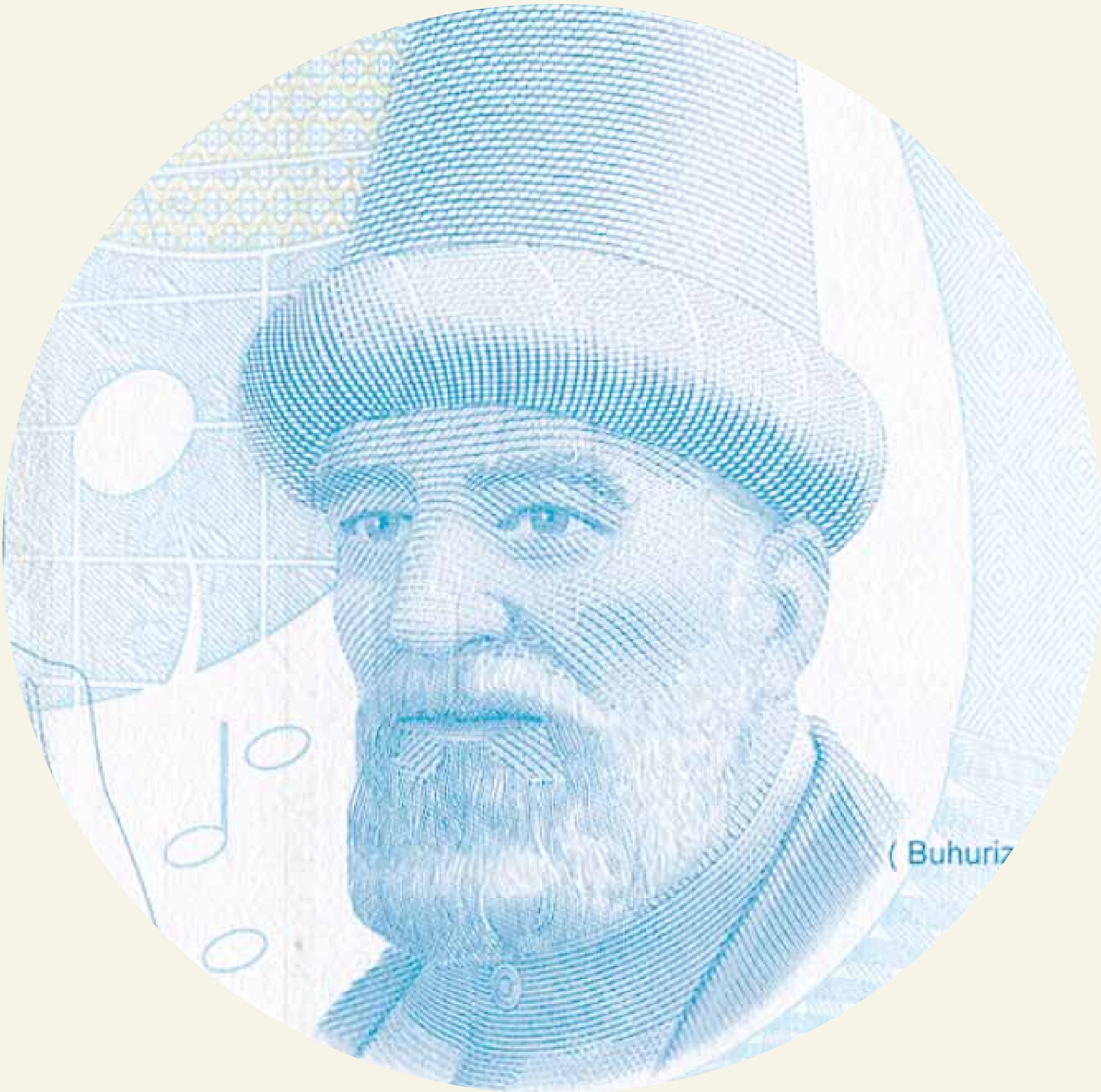
- Banknote printing expenses; there is also a 55 percent increase in 2009, as compared to the previous year. This increase results from;
1. The 23 percent increase in the amount of banknotes printed in 2009 compared to that of 2008,
2. The increase in the cost of TL banknotes compared to YTL banknotes due to the higher level of security measures in the banknote paper used (30 percent of banknotes printed in 2009 were YTL banknotes),
3. The 13 percent increase in the average EURO exchange rate against TL in 2009 compared to that of 2008 (Banknote paper and banknote ink are imported).

The Bank prepares its budget with due diligence to maximize savings in general and investment expenditures, in light of the duties assigned by its Law, such as issuing banknotes, determining monetary policy, maintaining price stability and managing the foreign exchange reserves of the country, as well as not lagging behind improvements in technology.

100 TL

ITRİ

Itri, who is believed to have been born in 1640 and passed away in 1712 was the founder of Classical Turkish Music. The musician, whose compositions have a vast variety of melody patterns, composed nearly all genres of Turkish music. Although the number of his compositions - in musical notes - that are known today is 42, it is speculated that the actual number of his works is around 1000.



Portrait, E-9 Emission Group
Depicted on the back of the TL 100 denomination from Series 1

4.3. FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

BALANCE SHEETS AT 31 DECEMBER

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

	Notes	2009 Thousand TL	2008 Thousand TL	2009 Million US$ (*)	2008 Million US$ (*)
ASSETS					
Cash and gold reserves	6	6,874,235	5,647,028	4,565	3,734
Due from banks	7	43,063,546	25,649,432	28,600	16,961
Financial assets at fair value through profit or loss	8	104,665,581	114,220,178	69,513	75,527
Loans and advances to customers	9	512,318	31,440	340	21
Investment securities:					
-Available-for-sale	10	373,071	323,566	248	214
-Held-to-maturity	10	-	339,380	-	224
Property and equipment	11	240,567	244,011	160	161
Intangible assets	12	4,964	4,889	3	3
Other assets	13	59,566	48,360	40	31
Total assets		**155,793,848**	**146,508,284**	**103,469**	**96,876**
LIABILITIES					
Currency in circulation	14	38,340,278	31,743,434	25,463	20,990
Due to banks	15	46,893,296	53,279,066	31,144	35,231
Other deposits	16	43,388,367	38,621,031	28,816	25,538
Due to International Monetary Fund ("IMF")	17	8,201	6,794	5	4
Other borrowed funds	18	14,333,082	9,939,440	9,519	6,572
Other liabilities	19	875,278	945,677	581	625
Taxes on income	20	72,064	166,909	48	110
Deferred income tax liability	20	986,043	1,261,392	655	834
Retirement benefit obligations	21	76,247	70,541	51	47
Total liabilities		**144,972,856**	**136,034,284**	**96,282**	**89,951**
SHAREHOLDERS' EQUITY					
Paid-in share capital	28	47,464	47,464	32	31
Retained earnings		10,437,717	10,139,250	6,932	6,704
Other reserves		335,811	287,286	223	190
Total shareholders' equity		**10,820,992**	**10,474,000**	**7,187**	**6,925**
Total liabilities and shareholders' equity		**155,793,848**	**146,508,284**	**103,469**	**96,876**
Commitments and contingent liabilities	27				

(*)US dollar ("US$") amounts presented above are translated from TL for convenience purposes only, at the official US$ bid rate announced by the Bank at 31 December 2009 and 2008, and therefore do not form part of these financial statements (Note 2.c.).

The notes on pages 87 to 139 are an integral part of these financial statements.

INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

	Notes	2009 Thousand TL	2008 Thousand TL	2009 Million US$ (*)	2008 Million US$ (*)
Interest income	22	6,054,774	6,726,264	3,913	5,203
Interest expense	22	(4,065,190)	(4,921,303)	(2,627)	(3,807)
Net interest income		**1,989,584**	**1,804,961**	**1,286**	**1,396**
Fee and commission income	23	63,862	60,966	41	47
Fee and commission expense	23	(9,782)	(8,087)	(6)	(6)
Net fee and commission income		**54,080**	**52,879**	**35**	**41**
Dividend income	24	4,841	4,884	3	4
Net (expense)/income from financial assets at fair value through profit or loss		(1,182,053)	1,669,206	(764)	1,291
Foreign exchange gains, net	25	1,549,988	10,914,217	1,002	8,442
Other operating income		1,050	7,245	1	6
Impairment losses on loans and advances	9	2,498	(576,517)	2	(446)
Other operating expenses	26	(593,861)	(491,858)	(384)	(380)
Profit before income tax		**1,826,127**	**13,385,017**	**1,181**	**10,354**
Income tax expense	20	(189,466)	(1,586,960)	(122)	(1,228)
Profit for the year		**1,636,661**	**11,798,057**	**1,059**	**9,126**

(*) US dollar ("US$") amounts presented above are translated from TL for convenience purposes only, at the average daily official US$ bid rate announced by the Bank for the years ended 31 December 2009 and 2008, and therefore do not form part of these financial statements (Note 2.c.).

The notes on pages 87 to 139 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS 31 DECEMBER

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

	Notes	2009	2008
Net profit for the year		**1,636,661**	**11,798,057**
Other comprehensive income			
Available-for-sale securities' net fair value gains	10	49,505	79,508
Deferred tax effect of available for sale securities' net fair value gains	20	(2,469)	(15,000)
Gains on demonetized banknotes	14	1,489	-
Total comprehensive income for the year		**1,685,186**	**11,862,565**

The notes on pages 87 to 139 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

	Share capital					
	Share capital	Adjustment to share capital	Total paid-in share capital	Other reserves	Retained earnings/ (Accumulated deficit)	Total
Balance at 1 January 2008	**25**	**47,439**	**47,464**	**222,778**	**(1,652,086)**	**(1,381,844)**
Cash dividends paid	-	-	-	-	(6,721)	(6,721)
Total comprehensive income for the year ended 31 December 2008	-	-	-	64,508	11,798,057	11,862,565
Balance at 31 December 2008	**25**	**47,439**	**47,464**	**287,286**	**10,139,250**	**10,474,000**
Balance at 1 January 2009	**25**	**47,439**	**47,464**	**287,286**	**10,139,250**	**10,474,000**
Cash dividends paid	-	-	-	-	(1,338,194)	(1,338,194)
Total comprehensive income for the year ended 31 December 2009	-	-	-	48,525	1,636,661	1,685,186
Balance at 31 December 2009	**25**	**47,439**	**47,464**	**335,811**	**10,437,717**	**10,820,992**

The notes on pages 87 to 139 are an integral part of these financial statements.

STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

	Notes	2009	2008
Cash flows from operating activities			
Net profit for the year		**1,636,661**	**11,798,057**
Adjustment for:			
Depreciation of property and equipment	11	15,564	13,543
Amortization of intangible assets	12	710	725
Impairment losses on loans and advances	9	(2,498)	576,517
Foreign exchange (losses)/gains on provision for loan losses	9	10,270	(519,051)
Retirement benefit obligations	21	11,351	12,142
Interest income, net	22	(1,989,584)	(1,804,961)
Interest received		5,952,011	6,631,610
Interest paid		(4,615,553)	(4,745,785)
Dividend income	24	(4,841)	(4,884)
Commission income, net	23	(54,080)	(52,879)
Commission received		62,792	60,674
Commission paid		(8,988)	(27,916)
Increase in reserves due to demonetized banknotes	14	1,489	-
Income tax expense	20	189,466	1,586,960
Other non-cash items		(1,209,345)	(8,791,540)
Cash flows from operating profits before changes in operating assets and liabilities		**(4,575)**	**4,733,212**
Changes in operating assets and liabilities:			
Net decrease/(increase) in financial assets at fair value through profit or loss		9,141,699	(7,079,673)
Net increase in loans and advances to customers		(480,847)	(5,498)
Net decrease in other assets		84,005	20,444
Net increase in currency in circulation		6,596,844	4,314,045
Net (decrease)/increase in due to banks		(5,815,019)	11,224,344
Net increase in other deposits		5,000,087	(48,015)
Net decrease in other liabilities		(636,476)	(314,497)
Net cash from operating activities		**13,885,718**	**12,844,362**
Cash flows from/(used in) investing activities			
Purchase of property, equipment and intangible assets, net	11,12	(12,905)	(26,133)
Redemption/(purchase) of securities		336,889	(177,791)
Dividends received		4,997	4,248
Net cash from/(used in) investing activities		**328,981**	**(199,676)**
Cash flows from financing activities			
Repayments of borrowed funds and due to IMF		4,395,049	6,026,317
Dividends paid		(1,338,194)	(6,721)
Net cash from financing activities		**3,056,855**	**6,019,596**
Effects of exchange-rate changes on cash and cash equivalents		**1,238,854**	**2,372,835**
Net increase in cash and cash equivalents		**18,510,408**	**21,037,117**
Cash and cash equivalents at the beginning of year	**30**	**31,296,039**	**10,258,922**
Cash and cash equivalents at the end of year	**30**	**49,806,447**	**31,296,039**

The notes on pages 87 to 139 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 1 - GENERAL INFORMATION

The Central Bank of the Republic of Turkey (the "Bank") was incorporated in Turkey in 1931. It was established as a joint stock company with the exclusive privilege of issuing banknotes in Turkey and is vested with the powers and duties set forth in the Central Bank of the Republic of Turkey Law No. 1211 (the "Central Bank Law"). The Head Office of the Bank is located in Ankara. The Bank's registered head office is located at the following address: İstiklal Cad. 10 Ulus, 06100 Ankara, Turkey. The Bank now operates a nationwide network of 21 branches and four foreign representatives. As at 31 December 2009, the Bank employed 4,419 people (2008: 4,437).

The primary objective of the Bank shall be to achieve and maintain price stability. The Bank shall determine on its own discretion the monetary policy that it shall implement and the monetary policy instruments that it is going to use in order to achieve and maintain price stability.

The fundamental duties of the Bank are;

a) to carry out open market operations,

b) to take necessary measures in order to protect the domestic and international value of the Turkish Lira ("TL") and to establish the exchange rate policy in determining the parity of TL against gold and foreign currencies jointly with the Government of the Republic of Turkey ("Turkish Government"); to execute transactions such as spot and forward purchases and sales of foreign exchange and banknotes, foreign exchange swaps and other derivatives transactions in order to determine the value of TL against other currencies,

c) to determine the procedures and conditions of reserve requirements by taking into consideration the liabilities of banks and other financial institutions to be deemed appropriate by the Bank,

d) to conduct rediscount and advance transactions,

e) to manage the gold and foreign exchange reserves of the country,

f) to regulate the volume and circulation of the TL, to establish payment, securities transfer and settlement systems and to set forth regulations to ensure the uninterrupted operation and supervision of the existing or future systems, to determine the methods and instruments including electronic environment for payments,

g) to take precautions for enhancing the stability in the financial system and to take regulatory measures with respect to money and foreign exchange markets,

h) to monitor the financial markets, and

i) to determine the terms and types of deposits in banks and the terms of participation funds in special finance houses.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION

(a) Turkish Lira financial statements

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), including the International Accounting Standards ("IAS") and Interpretations issued by the International Accounting Standards Board ("IASB"). The Bank maintains its books of account and prepares its statutory financial statements in accordance with Turkish Commercial Practice and Tax Legislation and the Central Bank Law. These financial statements have been prepared from those accounting records and adjusted as necessary in order to comply with IFRS issued by the IASB.

The financial statements are presented in the national currency of the Republic of Turkey.

These financial statements will be submitted to General Assembly of the Bank on 20 April 2010 after the approval of Board on 19 March 2010.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

Amendments to published standards and interpretations to existing standards effective 1 January 2009

The following amendments to published standards and interpretations to existing standards effective from 1 January 2009 are relevant to the Bank's operations.

IAS 1, "Presentation of financial statements" (Revised). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Bank has elected to present two statements: an income statement and a statement of comprehensive income.

IFRS 7, "Financial instruments: Disclosures" (Amendment). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Bank.

The following amendments to published standards and interpretations to existing standards effective from 1 January 2009 are not relevant to the Bank's operations.

IFRS 8, "Operating segments". The Standard replaces IAS 14, 'Segment reporting', with its requirement to determine primary and secondary reporting segments.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

IFRS 2, "Share-based payment - Vesting conditions and cancellations" (Amendment). The changes pertain mainly to the definition of vesting conditions and the regulations for the cancellation of a plan by a party other than the company. These changes clarify that vesting conditions are solely service and performance conditions. As a result of the amended definition of vesting conditions, non-vesting conditions should now be considered when estimating the fair value of the equity instrument granted. In addition, the standard describes the posting type if the vesting conditions and non-vesting conditions are not fulfilled.

IAS 23, "Borrowing costs" (Revised). The revised standard eliminates the option of immediate recognition of borrowing costs as an expense for assets that require a substantial period of time to get ready for their intended use.

IAS 32, "Financial instruments: Presentation" (Amendment). The amendment requires some financial instruments that meet the definition of a financial liability to be classified as equity. Puttable financial instruments that represent a residual interest in the net assets of the entity are now classified as equity provided that specified conditions are met. Similar to those requirements is the exception to the definition of a financial liability for instruments that entitle the holder to a pro rata share of the net assets of an entity only on liquidation.

IFRIC 16, "Hedges of a net investment in a foreign operation". This interpretation clarifies the accounting treatment in respect of net investment hedging.

IFRIC 13, "Customer loyalty programmes". IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement.

Standards, amendments and interpretations to existing standards that are not yet effective

Standards, amendments and interpretations to existing standards that are relevant to the Bank's operations and are not yet effective and have not been early adopted by the Bank

IFRS 9, "Financial instruments part 1: Classification and measurement" (Effective from 1 January 2013). IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

• Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

• An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

• All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

IAS 39, "Financial instruments: Recognition and measurement - Eligible hedged items" (Amendment) (Effective from 1 July 2009). The amendment provides guidance for two situations. On the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations.

Interpretations and amendments to existing standards that are not yet effective and not relevant for the Bank's operations
IFRS 3, "Business combinations" (Revised) (Effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice, on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

IAS 27, "Consolidated and separate financial statements" (Revised) (Effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

IFRS 1 and IAS 27, "Cost of an investment in a subsidiary, jointly-controlled entity or associate" (Amendment) (Effective from 1 July 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and requires an entity to present dividends from investments in subsidiaries, jointly controlled entities and associates as income in the separate financial statements of the investor.

IFRIC 17, "Distribution to non-cash assets to owners" (Effective from 1 July 2009). The standard addresses how the non-cash dividends distributed to the shareholders should be measured. A dividend obligation is recognised when the dividend was authorised by the appropriate entity and is no longer at the discretion of the entity. This dividend obligation should be recognised at the fair value of the net assets to be distributed. The difference between the dividend paid and the amount carried forward of the net assets distributed should be recognised in profit and loss. Additional disclosures are to be made if the net assets being held for distribution to owners meet the definition of a discontinued operation.

IFRIC 18, "Transfers of assets from customers" (Effective from 1 July 2009). The standard clarifies how to account for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment, and the entity must then use that item to provide the customer with ongoing access to supply of goods and/or services.

(b) Accounting for the effect of hyperinflation
Prior to 1 January 2006, the adjustments and reclassifications made to the statutory records for the purpose of fair presentation in accordance with IFRS included the restatement of balances and transactions for the changes in the general purchasing power of the Turkish Lira in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies". IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. As the characteristics of the economic environment of Turkey indicate that hyperinflation has ceased, effective from 1 January 2006, the Bank no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at 31 December 2005 are treated as the basis for the carrying amounts in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

(c) US$ translation

US$ amounts shown in the balance sheets are translated from TL for convenience purposes only, at the official bid rates announced by the Bank on 31 December 2009 and 2008 of TL1.5057 = US$1 (2008: TL1.5123 = US$1) and US$ amounts shown in the income statements are translated from TL for convenience purposes only, at the average US$ bid rates calculated from the daily official bid rates announced by the Bank for the years ended 31 December 2009 and 2008 of TL1.5474 = US$1 (2008: TL1.2929 = US$1) and therefore, do not form part of these financial statements.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in thousands of TL, which is the Bank's functional and presentation currency.

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(iii) Exchange rates

The following TL exchange rates for major currencies are used to convert foreign currency assets and liabilities to TL for reporting purposes.

	2009	2008
US Dollar ("US$")	1.5057	1.5123
Euro ("EUR")	2.1603	2.1408
Swiss Franc ("CHF")	1.4492	1.4300
Great Britain Pound ("GBP")	2.3892	2.1924
Japanese Yen ("JPY")	0.0163	0.0167
Special Drawing Rights ("SDR") (*)	2.3650	2.3513

(*) The SDR is treated in terms of a basket of currencies. Its value is determined as the weighted sum of the exchange rates of the four major currencies (EUR, JPY, GBP, US$). For accounting purposes, SDR is treated as a foreign currency.

(b) Derivative financial instruments and hedge accounting

Derivative financial instruments, including forward agreements, are initially recognized in the balance sheet at cost (including transaction costs) and are subsequently remeasured at their fair value. Derivative financial instruments are classified as held for trading. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models, as appropriate.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

As of 31 December 2009, the Bank has no derivative financial instruments. As of 31 December 2008, notional amount of future contracts undertaken by the Bank as derivative financial instruments amounts to TL107,174 thousand (Note 27).

The best evidence of the fair value of a derivative at initial recognition is the transaction price unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Bank recognizes profit or loss on day 1.

Certain derivative transactions, even though providing effective economic hedges under the Bank risk management position, do not qualify for hedge accounting under the specific rules in IAS 39 "Financial Instruments: Recognition and Measurement" and are therefore treated as derivatives held for trading with fair value gains and losses reported in income statement.

(c) Interest income and expense

Interest income and expense is recognized in the income statement for all interest bearing instruments measured at amortized cost using the effective interest rate method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(d) Fee and commission income

Unless included in the effective interest calculation, fees and commissions are generally recognized on an accrual basis as the service is provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Other loan commitment fees are recognized over the term of the commitment.

(e) Income taxes

(i) Income taxes currently payable

Income taxes ("corporation tax") currently payable are calculated based in accordance with the Turkish tax legislation.

Taxes other than on income are recorded within other operating expenses (Note 26).

(ii) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred income tax asset can be utilized (Note 20).

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

(f) Gold

(i) Gold bullion

Gold bullion consists of the stocks of gold bars of international standard and non-international standard held at the Bank and held with correspondents. Gold is held by the Bank as part of its foreign reserves and presently represents 5.7% (2008: 4.5%) of aggregate foreign reserves. The Bank has no present intention to dispose of any of its existing gold reserve stocks as the Bank maintains the gold reserve as a part of its foreign reserve management. Gold bullion is recorded in physical weight in troy ounces.

Gold is initially recorded at the prevailing rates at recognition date, excluding transaction costs. Subsequent to initial measurement it is measured at fair value. Fair value is the amount which could be realized from the sale of an asset in an arm's length transaction between knowledgeable, willing parties and is calculated based on the fixing of the London Bullion Market in US$, converted to TL at the spot TL/US$ exchange rate.

Gains and losses from the valuation of gold bullions arising as a result of the changes in the fair value are charged directly to the income statement.

The exchange rate of gold bullion to TL as at 31 December 2009 was TL1,662 per troy ounce (2008: TL1,308 per troy ounce).

(ii) Gold coins

Gold coins which are no longer legal tender typically have an artistic or collectors' premium such that they are bought and sold at prices which are higher than the intrinsic value of the metal from which they are formed. However, it is unlikely that such a premium could be realized if the Bank were to release a significant quantity of the coins it holds. Consequently coins are valued at the market value of the gold content and included within gold bullion in the balance sheet. Gains and losses on gold coins are treated and reported consistently with those for gold bullion.

(g) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the management. Derivatives are also categorized as held for trading unless they are designated as hedges. These financial assets are initially recognized at fair value plus transaction costs and subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. All related realized and unrealized gains and losses are included in net income from financial assets at fair value through profit or loss. Interest earned while holding financial assets is reported as interest income and dividends received are included in dividend income.

All regular way purchases and sales of financial assets at fair value through profit or loss are recognised at the settlement date.

(h) Loans and advances to customers and provision for loan impairment

Loans originated by the Bank by providing money directly to the borrower or to a sub-participation agent at draw down are categorized as loans originated by the Bank and are carried at amortized cost, less any provision for loan losses. All originated loans are recognized when cash is advanced to borrowers.

A credit risk provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

The provision made during the year is charged against income for the year. Loans that can not be recovered are written off and charged against the allowance for loan losses. Such loans are written off after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from the provision for loan losses for the year (Note 9).

(i) Investment securities

Investment securities are classified into the following two categories: held-to-maturity and available-for-sale securities. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale. The Bank management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognized at transaction prices, which normally reflect their fair values.

Available-for-sale investment debt and equity securities are subsequently remeasured at fair value based on quoted bid prices, or amounts derived from other valuation techniques. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in the shareholders' equity as "other reserves", unless there is a permanent decline in the fair values of such assets, in which case they are charged to the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.
Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment. When the securities are disposed of or impaired, the related accumulated fair value adjustments are transferred to the income statement.

Gains and losses arising from changes in foreign exchange rates are recognized in the income statement in the case of debt securities and are included with the fair value movement in the case of equities.

Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any provision for impairment.

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the income statement.

Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

Interest earned whilst holding investment securities is reported as interest income. Dividends on available-for-sale equity instruments are recognized in the income statement when the entity's right to receive payment is established.

All purchases and sales of investment securities that require delivery with a time frame established by a regulation or market convention ("regular way" purchases and sales) are recognized at the settlement date, which is the date that the asset is delivered to/from the Bank.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

(j) Offsetting financial instruments

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

(k) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as financial assets at fair value through profit or loss and the counterparty liability is included in amounts due to banks or other deposits as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as due from banks. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

Securities lent to counterparties are also retained in the financial statements. Securities borrowed and securities received as collateral for reverse transactions are not recognized in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

Sale and repurchase agreements of TL denominated securities are undertaken within the scope of the open market operations of the Bank.

(l) Money issuance

The Bank produces currency banknotes. Inventories of work-in progress notes which are produced in the Bank's own printing facilities are stated at cost and included in Other Assets. Expenses associated with the banknotes are initially capitalized and are charged to the income statement upon transfer of the banknotes to reserve funds of the Bank. Finished goods and work-in progress costs include direct costs of conversion and production overheads, including depreciation of machinery, staff costs, other production costs and costs for transportation of banknotes. The unit cost of raw materials is determined on the moving weighted average basis.

When notes are returned to the Bank by the commercial banks they are removed from notes in circulation and depending on their condition or legal tender status, are either sent for destruction or held under the reserve funds of the Bank.

(m) Financial liabilities

Financial liabilities are measured at amortized cost except for financial liabilities designated at fair value through profit and loss.

Financial liabilities are initially recognized at fair value less, in the case of liabilities carried at amortized cost (including due to banks, due to International Monetary Fund, other deposits and other funds borrowed), transaction costs incurred and any difference between the proceeds net of transaction costs and the redemption amount is recognized in the income statement as interest expense over the period to maturity using the effective interest rate method. Financial liabilities which are repayable on demand are recorded at nominal value. Financial liabilities are derecognized when they are extinguished. Due to banks represents reserve deposits of depository institutions' participants and current accounts of the Bank.

(n) Property and equipment

Land and buildings comprise mainly branches and offices. Property and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	50 years
Equipment and motor vehicles	5 years

Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Expenditure for the repair and renewal of property and equipment is charged against income.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Where the carrying amount of an asset is greater than its estimated recoverable amount ("higher of net realizable value and value in use"), it is written down immediately to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amount and these are included in other operating expenses in the income statement.

(o) Intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful life (five years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized using the straight-line method over their estimated useful lives.

(p) Banknotes and coins in circulation

(i) Currency in Circulation - Turkish Lira

Currency issued by the Bank represents a claim on the Bank in favor of the holder. The liability for currency in circulation is recorded at face value in these financial statements.

In accordance with the Article 1 of the Law No. 5083 concerning the "Currency of the Republic of Turkey" and according to the Decision of The Council of Ministers dated 4 April 2007 and No: 2007/11963, the prefix "New" used in the "New Turkish Lira" and the "New Kurus" was removed as of 1 January 2009. When the prior currency, New Turkish lira ("YTL"), values are converted into TL and Kr, one YTL (TL1) and one YKr (YKr1) shall be equivalent to one TL (TL1) and one Kr (Kr1).

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

All references made to New Turkish Lira or Lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to TL at the conversion rate indicated above. Consequently, effective from 1 January 2009, the TL replaces YTL and Kr replaces Ykr as a unit of account in keeping and presenting of the books accounts and financial statements. Accordingly, comparative figures have been presented in TL to confirm to changes in presentation in the current year.

(ii) Demonetized Currency - Turkish Lira and New Turkish Lira

The legal circulation period of Turkish Lira banknotes, which were in circulation along with New Turkish Lira banknotes between 1 January 2005 and 31 December 2005 according to provisional article 1 of the Law on the Currency Unit of the Republic of Turkey No:5083, expired as of 31 December 2005 and these banknotes will be redeemed for a period of ten years starting from 1 January 2006 to the close of the working hours at 31 December 2015 which is the end of the 10-year legal redemption period, at the branches of the Bank and T.C. Ziraat Bankası A.Ş.. The banknotes will be of no value as of 1 January 2016.

With the Council of Ministers' decision issued in Official Gazette on 5 May 2008, it was decided that the phrase "New" on the New Turkish Lira and New Kuruş that were put into circulation on 1 January 2005, will be removed as of 1 January 2009, and Turkish Lira banknotes have been put into circulation as of the same date. Accordingly, the legal circulation period of New Turkish Lira banknotes that were in circulation between 1 January 2009 and 31 December 2009 along with Turkish Lira banknotes are expired as of 31 December 2009. New Turkish Lira banknotes will be redeemed for a period of 10 years starting from 1 January 2010 to 31 December 2019 in the branches of the Bank and T.C. Ziraat Bankası A.Ş..

Although it is most unlikely that significant amounts of demonetized currency will be returned for redemption, the Bank is not able to derecognize any part of the liability unless and until it is legally released from the obligation.

The liability for Turkish Lira and New Turkish Lira banknote in circulation is recorded at face value under "Currency in circulation" in these financial statements.

The Bank has recorded gain under equity reserves in the amount of TL1,489 thousand since the legal redemption period of banknotes in the same amount has been expired as of 31 December 2009. There were no such gains as of 31 December 2008 (Note 14).

(q) Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(r) Retirement benefit obligations

Retirement benefit obligations represent the present value of the estimated total reserve for the future probable obligation of the Bank arising from the retirement of the employees, calculated in accordance with the Turkish Labor Law and IFRS (Note 21).

(s) Related parties

For the purpose of these financial statements the shareholders of the Bank together with state-controlled entities in Turkey are considered and referred to as related parties (Note 31).

(t) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with an original maturity of less than three months including cash, gold reserves and current accounts with banks (Note 30).

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

(u) Appropriations

In accordance with the Central Bank Law article 60, the appropriation of the statutory net annual profit of the Bank is as follows:

i) 20% to the reserve fund,

ii) 6% to the shareholders as an initial dividend,

iii) after deducting the above-stated percentages a maximum of 5% of the remaining amount to the Bank personnel in an amount not exceeding the total of two months' salaries, and 10% percent to the extraordinary reserve fund,

iv) 6% as a secondary dividend to the shareholders, with the decision of the General Assembly.

The remaining balance shall be transferred to T.C. Başbakanlık Hazine Müsteşarlığı ("Turkish Treasury") after this allocation.

As the Bank maintains its books of account and prepares its statutory financial statements in accordance with Turkish Commercial Practice and Tax Legislation and the Central Bank Law; the statutory net profit of the Bank is the basis for appropriation, in accordance with the Central Bank Law.

(v) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

(w) Fiduciary activities

The Bank commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals and financial institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets or income of the Bank. Fiduciary capacity at 31 December 2009 and 2008 is as follows:

	2009	2008
Securities held in custody	314,651,258	260,753,692
	314,651,258	**260,753,692**

NOTE 4 - FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

By nature, the Bank's activities necessitate the use of financial instruments, including derivatives.

The Bank accepts deposits from other banks and public institutions; the required reserves from banks and financial institutions operating in Turkey; and foreign exchange deposits from Turkish workers resident abroad. The Bank also accepts or places short-term funds/securities through open market operations in order to influence short-term interest rates, the primary tool of monetary policy to achieve the inflation target and establish price stability.

Foreign exchange deposits placed with the Bank and foreign exchange acquired by the Bank through regular auctions and direct purchases constitute the sources of foreign exchange reserves of the Bank. The Bank holds foreign exchange reserves both for its own foreign exchange liabilities and for the purposes of rendering foreign debt service with the capacity of the financial agent of the Turkish Government, maintaining foreign exchange liquidity against external shocks, underpinning implementations of monetary and exchange rate policies, and providing confidence to the markets. In view of the Bank's priorities of safe investment,

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liquidity and return, respectively, as stipulated by the Central Bank Law, the Bank subjects its foreign exchange reserves to investments in international markets with a prudent approach.

In this framework, almost all the financial risks to which the Bank is exposed arise while fulfilling its legal duties, such as implementing monetary and exchange rate policies, managing foreign exchange reserves and rendering certain banking services to the banking sector and the Turkish Government. The Bank is exposed to credit, market and liquidity risks due to the aforementioned operations. The financial risks to which the Bank, as a monetary authority, is exposed in the process of the implementation of monetary and exchange rate policies are the consequences of the selected policy targets. On the other hand, financial risks that arise during the management of foreign exchange reserves are the outcome of an investment choice. Nevertheless, the Bank endeavors to minimize such risks by managing them with a conservative approach. Foreign exchange reserves are managed by observing the investment criteria defined in the Foreign Exchange Reserve Management Guidelines ("the Guideline") approved by the Board and in compliance with the targets and limits stipulated in the Strategic Benchmark Portfolio ("SBP"), which is set at the end of each year by the Foreign Exchange Risk and Investment Committee and put into force the following year upon the approval of the Executive Committee.

(b) Credit risk

During its financial operations, the Bank is exposed to credit risk, defined as the probability of complete or partial failure of a counterparty to fulfill its obligations arising from a financial transaction. The credit risk basically originates from the open market operations carried out in order to provide short-term liquidity to banks within the framework of monetary policy implementations, the funds extended to banks under the Intra-Day Limit Facility in order to ensure the proper functioning of payment systems, and the investments made during foreign exchange reserve management. Although the credit risk faced during the implementation of monetary policy and Intra-Day Limit transactions is an inevitable risk, such risks are managed by securing the entire transaction amount, also including a certain amount of margin, by assets that have high credit quality and are tradable in secondary markets (foreign exchange deposits, government securities and securities issued by the treasuries of developed countries), and through monitoring the existing risks regularly and requesting additional collateral, when necessary.

The management of the credit risk that the Bank is exposed to during the foreign exchange reserve management is based on the principle of minimizing the default probabilities of the counterparties and the financial loss in case of default. In this framework, the Bank implements a three-stage risk management process in order to minimize the credit risk arising from foreign exchange reserve management operations. In the first stage, the Bank confines its investments to the leading international financial institutions and debtors that meet the minimum credit rating criteria specified in the Guideline based on the credit ratings given by the international credit rating agencies. Accordingly, the Bank can take on exposure to banks having at least A1 or an equivalent credit rating, with a maturity of up to one year; while it can invest in securities issued or directly guaranteed by foreign governments which have at least Aa2 or an equivalent credit rating, in their domestic currencies as long as the remaining maturity is 10 years at the most. The Bank can also invest in securities issued by the World Bank, the Bank for International Settlements and the European Investment Bank, regardless of the credit rating criteria. In the second stage, the total transaction limit, expressed as a percentage of total reserves, is specified in order to control overall credit risk including settlement risk arising from transactions with financial institutions. By setting this overall credit risk limit within the scope of the SBP, the Bank aims to prevent non-sovereign credit risk from exceeding its risk tolerance. In the third stage, the institutions eligible for transactions are chosen among those institutions meeting the minimum credit rating criteria set in the Guideline, using the fundamental and the financial analysis methods and each institution is granted a certain credit risk limit in view of their capital size and credit quality. In all transactions executed with these institutions, credit risk exposures that are calculated on the basis of transaction type are immediately reflected on their limits, and the use of these limits are regularly monitored and reported.

In conclusion, the credit risk assumed during reserve management remains at quite low levels as a great portion of reserves are invested in assets issued or directly guaranteed by foreign governments as well as by supranational institutions such as the World Bank, the European Investment Bank and the Bank for International Settlements.

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Total assets of the Bank exposed to credit risk as of 31 December 2009 and 2008 are presented in the table below according to different asset classes (classification according to external credit ratings is done based on the credit ratings published by Moody's):

	31 December 2009		31 December 2008	
	TL	Share (%)	TL	Share (%)
Due from banks	**43,063,546**	**29**	**25,649,432**	**18**
- Demand Deposits	**5,622,665**	**4**	**3,978,165**	**3**
Central Banks	3,182,430	2	3,827,177	3
Supranational Institutions	2,294,082	2	35,146	<1
Foreign Commercial Banks	146,153	<1	115,842	<1
- Time Deposits	**4,089,434**	**3**	**1,422,004**	**1**
Central Banks	742,764	<1	-	-
Supranational Institutions	2,520,323	2	351,255	<1
Foreign Commercial Banks	826,347	1	1,070,749	1
Aaa	389,509	<1	432,761	<1
Aa1	-	-	637,988	<1
Aa2	436,838	<1	-	-
- Funds lent under reverse repurchase transactions	**33,351,447**	**22**	**20,249,263**	**14**
Domestic Commercial Banks	33,351,447	22	20,249,263	14
Financial assets at fair value through profit or loss	**104,665,581**	**71**	**114,220,178**	**82**
Foreign Country				
Treasury	91,016,528	61	95,306,061	68
Aaa	89,829,169	60	91,376,237	65
Aa1	1,187,359	1	3,929,824	3
Supranational Institutions	4,940,751	4	5,260,615	4
Turkish Treasury	8,708,302	6	13,653,502	10
Loans and advances to customers	**512,318**	**<1**	**31,440**	**<1**
Investment securities	**373,071**	**<1**	**662,946**	**<1**
Supranational Institutions	373,071	<1	323,566	<1
Foreign Country Treasury	-	-	339,380	<1
Other assets	**8,346**	**<1**	**7,225**	**<1**
Total	**148,622,862**	**100**	**140,571,221**	**100**

Although the Turkish Government bonds issued by the Turkish Treasury are included in the above table, the Bank does not consider its receivables from the Turkish Treasury as risky in terms of credit risk and therefore does not take these assets into account when calculating its credit risk exposures. Similarly, the deposits placed with domestic commercial banks for the purpose of monetary policy implementations are also excluded when calculating credit risk exposures because of the fully collateralized nature of these transactions as previously explained. As of 31 December 2009, the Bank has deposits amounting to TL33,351,447 thousand (2008: TL20,249,263 thousand) placed with domestic commercial banks as part of reverse repurchase agreements amounting to TL33,130,033 thousand (2008: TL20,035,812 thousand) and foreign exchange market operations amounting to TL221,414 thousand (2008: TL213,451 thousand). The fair value of the security collaterals obtained for the deposits placed under reverse repurchase agreement as of 31 December 2009 is TL32,683,414 thousand (2008: TL20,035,812 thousand). In addition, the

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Bank has security collaterals amounting to TL7,126,898 thousand (2008: TL8,298,015 thousand) obtained for all foreign exchange and banknotes markets operations including the placed deposits under foreign exchange deposit market operations amounting to TL221,414 thousand (2008: TL213,451 thousand). As of 31 December 2009 and 2008, the security collaterals are the Turkish Government bonds issued by the Turkish Treasury.

The sectoral classifications of the Bank's credit exposure as of 31 December 2009 and 2008 are as follows:

	31 December 2009						
	Foreign Country Treasury	Foreign Central Banks	Major Supranational Financial Institutions	Domestic Financial Institutions	Foreign Financial Institutions	Turkish Treasury	Total
Due from banks	-	3,925,194	4,814,405	33,351,447	972,500	-	43,063,546
Financial assets at fair value through profit or loss	91,016,528	-	4,940,751	-	-	8,708,302	104,665,581
Loans and advances to customers	-	26,482	-	485,836	-	-	512,318
Investment securities:							
-Available-for-sale	-	-	373,071	-	-	-	373,071
-Held-to-maturity	-	-	-	-	-	-	
Other assets	-	-	3,864	4,482	-	-	8,346
Total	**91,016,528**	**3,951,676**	**10,132,091**	**33,841,765**	**972,500**	**8,708,302**	**148,622,862**

	31 December 2008						
	Foreign Country Treasury	Foreign Central Banks	Major Supranational Financial Institutions	Domestic Financial Institutions	Foreign Financial Institutions	Turkish Treasury	Total
Due from banks	-	3,827,177	386,401	20,249,263	1,186,591	-	25,649,432
Financial assets at fair value through profit or loss	95,306,061	-	5,260,615	-	-	13,653,502	114,220,178
Loans and advances to customers	-	31,051	-	389	-	-	31,440
Investment securities:							
-Available-for-sale	-	-	323,566	-	-	-	323,566
-Held-to-maturity	-	339,380	-	-	-	-	339,380
Other assets	-	-	3,771	3,454	-	-	7,225
Total	**95,306,061**	**4,197,608**	**5,974,353**	**20,253,106**	**1,186,591**	**13,653,502**	**140,571,221**

As indicated above, the credit risk is mainly concentrated on foreign and domestic governments and major supranational and foreign financial institutions as of 31 December 2009 and 2008.

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Geographical concentrations of assets, liabilities and off-balance sheet items of the Bank as of 31 December 2009 and 2008 are as follows:

	31 December 2009					
	Turkey	Other European Countries	Canada and US	South - East Asia	Other Countries	Total
Cash and gold reserves	2,468,687	2,872,273	1,533,275	-	-	6,874,235
Due from banks	33,351,447	4,192,676	4,277,533	1,234,864	7,026	43,063,546
Financial assets at fair value through profit or loss	8,708,302	49,964,855	45,992,424	-	-	104,665,581
Loans and advances to customers	485,836	5,085	-	-	21,397	512,318
Investment securities:						
-Available-for-sale	-	373,071	-	-	-	373,071
-Held-to-maturity	-	-	-	-	-	-
Property and equipment	240,567	-	-	-	-	240,567
Intangible assets	4,964	-	-	-	-	4,964
Other assets	55,702	3,864	-	-	-	59,566
Total assets	**45,315,505**	**57,411,824**	**51,803,232**	**1,234,864**	**28,423**	**155,793,848**
Currency in circulation	38,340,278	-	-	-	-	38,340,278
Due to banks	46,883,961	2	-	9,333	-	46,893,296
Other deposits	23,312,192	20,076,175	-	-	-	43,388,367
Due to IMF	-	-	8,201	-	-	8,201
Other borrowed funds	14,333,082	-	-	-	-	14,333,082
Other liabilities	98,899	155,908	619,186	445	840	875,278
Taxes on income	72,064	-	-	-	-	72,064
Deferred income tax liability	986,043	-	-	-	-	986,043
Retirement benefit obligations	76,247	-	-	-	-	76,247
Shareholders' equity	10,820,992	-	-	-	-	10,820,992
Total liabilities and shareholders' equity	**134,923,758**	**20,232,085**	**627,387**	**9,778**	**840**	**155,793,848**
Net balance sheet position	**(89,608,253)**	**37,179,739**	**51,175,845**	**1,225,086**	**27,583**	**-**
Off-balance sheet commitments	25,803,223	70,950	-	-	-	25,874,173

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	31 December 2008					
	Turkey	Other European Countries	Canada and US	South - East Asia	Other Countries	Total
Cash and gold reserves	2,180,087	2,260,332	1,206,609	-	-	5,647,028
Due from banks	20,249,263	1,825,005	2,079,754	1,489,710	5,700	25,649,432
Financial assets at fair value through profit or loss	13,653,502	55,312,563	45,254,113	-	-	114,220,178
Loans and advances to customers	389	5,230	-	-	25,821	31,440
Investment securities:						
-Available-for-sale	-	323,566	-	-	-	323,566
-Held-to-maturity	-	-	339,380	-	-	339,380
Property and equipment	244,011	-	-	-	-	244,011
Intangible assets	4,889	-	-	-	-	4,889
Other assets	43,453	4,907	-	-	-	48,360
Total assets	**36,375,594**	**59,731,603**	**48,879,856**	**1,489,710**	**31,521**	**146,508,284**
Currency in circulation	31,743,434	-	-	-	-	31,743,434
Due to banks	53,270,325	5	-	8,736	-	53,279,066
Other deposits	17,076,045	21,544,986	-	-	-	38,621,031
Due to IMF	-	-	6,794	-	-	6,794
Other borrowed funds	9,939,440	-	-	-	-	9,939,440
Other liabilities	80,495	223,595	638,342	15	3,230	945,677
Taxes on income	166,909	-	-	-	-	166,909
Deferred income tax liability	1,261,392	-	-	-	-	1,261,392
Retirement benefit obligations	70,541	-	-	-	-	70,541
Shareholders' equity	10,474,000	-	-	-	-	10,474,000
Total liabilities and shareholders' equity	**124,082,581**	**21,768,586**	**645,136**	**8,751**	**3,230**	**146,508,284**
Net balance sheet position	**(87,706,987)**	**37,963,017**	**48,234,720**	**1,480,959**	**28,291**	**-**
Off-balance sheet commitments	26,124,227	70,539	107,174	-	-	26,301,940

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The Bank provides specific allowances for possible loan losses on a case by case basis that are approved by the Board and actual allowances established take into account the value of any collateral or third party guarantees. Allowances for possible loan losses are defined as the difference between the carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and assessed collateral, discounted at the original effective interest rate of the loan.

Restructuring activities mainly include extended and/or rescheduled payment arrangements or arrangement of terms of loans such as modification and deferral of payments. Restructuring arrangements signed between the Bank and the counterparties are regulated by the Board.

There are no financial assets that are past due but not impaired at 31 December 2009 and 2008; therefore, there are no collaterals held against such past due financial assets.

As of 31 December 2009 and 2008, the Bank has no assets held for resale.

(c) Market risk

Market risk signifies the probability of incurring a loss as a result of fluctuations in financial market prices. The most significant sources of the market risk, from the Central Bank's perspective are interest rates pertaining to TL and reserve currencies, foreign exchange rates and gold prices. The Bank, in its capacity as the monetary authority of Turkey, does not actively manage TL interest rate risk stemming from government domestic borrowing securities, which the Bank utilizes mainly for open market operations. Putting aside this TL interest rate risk, it is possible to say that the remaining market risk faced by the Bank arises essentially from the foreign exchange assets and liabilities on its balance sheet.

For the purpose of managing market risk, the Bank has adopted the "Asset/Liability Matching" approach in view of its policy targets and its objectives for holding reserves. Nevertheless, unlike the commercial banks, the liabilities addressed within the context of this approach contain estimated off-balance sheet cash flows such as foreign debt payments to be effected on behalf of the Treasury, in addition to the foreign exchange liabilities on the Bank's balance sheet. Within the framework of this approach, the SBP is set each year to reflect the Bank's risk tolerance. The Bank strives to minimize the market risk by setting targets for currency composition and duration which are the basic variables of the SBP and by setting limits to control deviations from these targets.

(d) Currency risk

The Bank is exposed to currency risk as it holds a foreign exchange position for the purpose of implementing exchange rate policy and achieving other policy targets. Exchange rate risk, which arises from the volatility of exchange rates between TL and foreign currencies on the balance sheet, is directly related to the size of the net balance sheet position in foreign currency. Moreover, the overall net foreign currency position on the balance sheet is the consequence of monetary and exchange rate polices implemented. However, the distribution of net positions in terms of currencies also affects the foreign exchange rate risk exposure of the Bank as a result of the volatilities in cross rates.

Within this framework, the Bank controls currency risk through foreign exchange composition targets and limits of deviation from these targets set for foreign exchange reserves within the scope of the SBP.

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The net foreign currency position of the Bank as of 31 December 2009 and 2008 is summarized below. The table presented below provides the Bank's assets, liabilities, and equity at carrying amounts, categorized by currency:

	31 December 2009									
	Foreign currency									
	US$	EUR	JPY	CHF	GBP	SDR	Other	Total	TL	Total
Cash and gold reserves	6,523,536	237,216	90	7,988	13,795	-	3,194	6,785,819	88,416	6,874,235
Due from banks	4,481,984	1,476,183	1,234,437	136,592	230,376	2,292,978	18,610	9,871,160	33,192,386	43,063,546
Financial assets at fair value through profit or loss	45,992,424	48,431,385	-	-	1,533,470	-	-	95,957,279	8,708,302	104,665,581
Loans and advances to customers	410,547	101,771	-	-	-	-	-	512,318	-	512,318
Investment securities:										
-Available-for-sale	-	48	-	-	-	373,023	-	373,071	-	373,071
-Held-to-maturity	-	-	-	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-	-	-	240,567	240,567
Intangible assets	-	-	-	-	-	-	-	-	4,964	4,964
Other assets	87	145	-	-	223	3,864	632	4,951	54,615	59,566
Total assets	**57,408,578**	**50,246,748**	**1,234,527**	**144,580**	**1,777,864**	**2,669,865**	**22,436**	**113,504,598**	**42,289,250**	**155,793,848**
Currency in circulation	-	-	-	-	-	-	-	-	38,340,278	38,340,278
Due to banks	8,201,311	12,026,456	-	-	245,914	-	-	20,473,681	26,419,615	46,893,296
Other deposits	8,209,830	27,655,016	3,863	76,521	51,870	2,268,089	16	38,265,205	5,123,162	43,388,367
Due to IMF	-	-	-	-	-	8,201	-	8,201	-	8,201
Other borrowed funds	-	-	-	-	-	-	-	-	14,333,082	14,333,082
Other liabilities	595,804	171,978	29	2,427	5,774	-	970	776,982	98,296	875,278
Taxes on income	-	-	-	-	-	-	-	-	72,064	72,064
Deferred income tax liability	-	-	-	-	-	-	-	-	986,043	986,043
Retirement benefit obligations	-	-	-	-	-	-	-	-	76,247	76,247
Shareholders' equity	-	-	-	-	-	-	-	-	10,820,992	10,820,992
Total liabilities and shareholders' equity	**17,006,945**	**39,853,450**	**3,892**	**78,948**	**303,558**	**2,276,290**	**986**	**59,524,069**	**96,269,779**	**155,793,848**
Net balance sheet position	**40,401,633**	**10,393,298**	**1,230,635**	**65,632**	**1,474,306**	**393,575**	**21,450**	**53,980,529**	**(53,980,529)**	**-**

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	31 December 2008									
	Foreign currency									
	US$	EUR	JPY	CHF	GBP	SDR	Other	Total	TL	Total
Cash and gold reserves	5,334,649	240,452	219	7,473	3,516	-	1,268	5,587,577	59,451	5,647,028
Due from banks	2,228,875	1,126,323	1,489,710	166,920	529,122	35,304	12,461	5,588,715	20,060,717	25,649,432
Financial assets at fair value										
through profit or loss	49,084,414	50,339,693	-	-	1,142,569	-	-	100,566,676	13,653,502	114,220,178
Loans and advances to customers	31,051	389	-	-	-	-	-	31,440	-	31,440
Investment securities:										
-Available-for-sale	-	46	-	-	-	323,520	-	323,566	-	323,566
-Held-to-maturity	339,380	-	-	-	-	-	-	339,380	-	339,380
Property and equipment	-	-	-	-	-	-	-	-	244,011	244,011
Intangible assets	-	-	-	-	-	-	-	-	4,889	4,889
Other assets	-	1,136	-	-	-	3,771	-	4,907	43,453	48,360
Total assets	**57,018,369**	**51,708,039**	**1,489,929**	**174,393**	**1,675,207**	**362,595**	**13,729**	**112,442,261**	**34,066,023**	**146,508,284**
Currency in circulation	-	-	-	-	-	-	-	-	31,743,434	31,743,434
Due to banks	8,543,784	12,908,193	3	-	310,123	-	-	21,762,103	31,516,963	53,279,066
Other deposits	9,542,926	26,808,986	5,871	84,392	43,927	-	19	36,486,121	2,134,910	38,621,031
Due to IMF	-	-	-	-	-	6,794	-	6,794	-	6,794
Other borrowed funds	-	-	-	-	-	-	-	-	9,939,440	9,939,440
Other liabilities	639,485	212,892	15	1,962	7,598	-	3,230	865,182	80,495	945,677
Taxes on income	-	-	-	-	-	-	-	-	166,909	166,909
Deferred income tax liability	-	-	-	-	-	-	-	-	1,261,392	1,261,392
Retirement benefit obligations	-	-	-	-	-	-	-	-	70,541	70,541
Shareholders' equity	-	-	-	-	-	-	-	-	10,474,000	10,474,000
Total liabilities and										
shareholders' equity	**18,726,195**	**39,930,071**	**5,889**	**86,354**	**361,648**	**6,794**	**3,249**	**59,120,200**	**87,388,084**	**146,508,284**
Net balance sheet position	**38,292,174**	**11,777,968**	**1,484,040**	**88,039**	**1,313,559**	**355,801**	**10,480**	**53,322,061**	**(53,322,061)**	**-**

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In order to measure the sensitivity of the foreign exchange gain/loss against volatility in exchange rates, foreign currency net position values were re-calculated under the assumption of the appreciation of the TL by 10% against all foreign currencies. The hypothetic loss that would occur in the total market value of the net foreign exchange positions of the Bank as of 31 December 2009 and 2008 under such an assumption is presented in the tables below:

Sensitivity of the net foreign exchange position:

	31 December 2009									
	Foreign currency									
	US$	EUR	JPY	CHF	GBP	SDR	Other	Total	TL	TOTAL
Total assets	57,408,578	50,246,748	1,234,527	144,580	1,777,864	2,669,865	22,436	113,504,598	42,289,250	155,793,848
Total liabilities	17,006,945	39,853,450	3,892	78,948	303,558	2,276,290	986	59,524,069	96,269,779	155,793,848
Net balance sheet position	**40,401,633**	**10,393,298**	**1,230,635**	**65,632**	**1,474,306**	**393,575**	**21,450**	**53,980,529**	**(53,980,529)**	**-**
Scenario of 10% appreciation of TL	**(4,040,163)**	**(1,039,330)**	**(123,063)**	**(6,563)**	**(147,431)**	**(39,358)**	**(2,145)**	**(5,398,053)**	**-**	**(5,398,053)**

	31 December 2008									
	Foreign currency									
	US$	EUR	JPY	CHF	GBP	SDR	Other	Total	TL	TOTAL
Total assets	57,018,369	51,708,039	1,489,929	174,393	1,675,207	362,595	13,729	112,442,261	34,066,023	146,508,284
Total liabilities	18,726,195	39,930,071	5,889	86,354	361,648	6,794	3,249	59,120,200	87,388,084	146,508,284
Net balance sheet position	**38,292,174**	**11,777,968**	**1,484,040**	**88,039**	**1,313,559**	**355,801**	**10,480**	**53,322,061**	**(53,322,061)**	**-**
Scenario of 10% appreciation of TL	**(3,829,217)**	**(1,177,797)**	**(148,404)**	**(8,804)**	**(131,356)**	**(35,580)**	**(1,048)**	**(5,332,206)**	**-**	**(5,332,206)**

(e) Interest rate risk

Interest rate risk is the exposure of the Bank to possible adverse movements in interest rates. Such an exposure can result from a variety of factors, including differences in the timing between the maturities or re-pricing of assets, liabilities, and off-balance sheet instruments. Changes in the level and shape of yield curves may also create interest rate risk.

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

The tables below summarize the Bank's exposure to interest rate risk at 31 December 2009 and 2008, for TL and foreign currency denominated assets and liabilities. Included in the tables are the Bank's assets and liabilities in carrying amounts classified in terms of time remaining to contractual re-pricing dates.

31 December 2009

	Foreign currency						
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Cash and gold reserves	-	-	-	-	-	6,785,819	6,785,819
Due from banks	4,310,848	-	-	-	-	5,560,312	9,871,160
Financial assets at fair value through profit or loss	7,186,613	12,297,324	42,172,105	34,301,237	-	-	95,957,279
Loans and advances to customers	-	415,844	75,041	13,823	7,610	-	512,318
Investment securities:							
-Available-for-sale	-	-	-	-	-	373,071	373,071
-Held-to-maturity	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-
Other assets	-	-	3,864	-	-	1,087	4,951
Total assets	**11,497,461**	**12,713,168**	**42,251,010**	**34,315,060**	**7,610**	**12,720,289**	**113,504,598**
Currency in circulation	-	-	-	-	-	-	-
Due to banks	221,414	-	-	-	-	20,252,267	20,473,681
Other deposits	778,333	1,426,132	7,786,806	10,084,906	-	18,189,028	38,265,205
Due to IMF	-	1,053	-	-	-	7,148	8,201
Other borrowed funds	-	-	-	-	-	-	-
Other liabilities	38,242	-	688,087	-	-	50,653	776,982
Taxes on income	-	-	-	-	-	-	-
Deferred income tax liability	-	-	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	-	-	-
Total liabilities and shareholders' equity	**1,037,989**	**1,427,185**	**8,474,893**	**10,084,906**	**-**	**38,499,096**	**59,524,069**
Net repricing gap	**10,459,472**	**11,285,983**	**33,776,117**	**24,230,154**	**7,610**	**(25,778,807)**	**53,980,529**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

TL							
Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total	TOTAL
-	-	-	-	-	88,416	88,416	6,874,235
25,074,750	8,055,283	-	-	-	62,353	33,192,386	43,063,546
8,708,302	-	-	-	-	-	8,708,302	104,665,581
-	-	-	-	-	-	-	512,318
-	-	-	-	-	-	-	373,071
-	-	-	-	-	-	-	-
-	-	-	-	-	240,567	240,567	240,567
-	-	-	-	-	4,964	4,964	4,964
4,995	954	4,569	-	-	44,097	54,615	59,566
33,788,047	**8,056,237**	**4,569**	**-**	**-**	**440,397**	**42,289,250**	**155,793,848**
-	-	-	-	-	38,340,278	38,340,278	38,340,278
26,410,235	-	-	-	-	9,380	26,419,615	46,893,296
-	-	-	-	-	5,123,162	5,123,162	43,388,367
-	-	-	-	-	-	-	8,201
14,333,082	-	-	-	-	-	14,333,082	14,333,082
47,433	-	46,776	-	-	4,087	98,296	875,278
-	-	72,064	-	-	-	72,064	72,064
-	-	-	-	-	986,043	986,043	986,043
-	-	-	-	-	76,247	76,247	76,247
-	-	-	-	-	10,820,992	10,820,992	10,820,992
40,790,750	**-**	**118,840**	**-**	**-**	**55,360,189**	**96,269,779**	**155,793,848**
(7,002,703)	**8,056,237**	**(114,271)**	**-**	**-**	**(54,919,792)**	**(53,980,529)**	**-**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

31 December 2008

	Foreign currency						
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Cash and gold reserves	-	-	-	-	-	5,587,577	5,587,577
Due from banks	1,635,455	-	-	-	-	3,953,260	5,588,715
Financial assets at fair value through profit or loss	2,238,841	3,229,534	14,070,155	80,849,496	178,650	-	100,566,676
Loans and advances to customers	-	2,531	2,897	17,731	8,281	-	31,440
Investment securities:							
-Available-for-sale	-	-	-	-	-	323,566	323,566
-Held-to-maturity	-	-	339,380	-	-	-	339,380
Property and equipment	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-
Other assets	-	-	3,771	-	-	1,136	4,907
Total assets	**3,874,296**	**3,232,065**	**14,416,203**	**80,867,227**	**186,931**	**9,865,539**	**112,442,261**
Currency in circulation	-	-	-	-	-	-	-
Due to banks	213,451	-	-	-	-	21,548,652	21,762,103
Other deposits	795,916	1,314,273	7,837,840	11,596,958	-	14,941,134	36,486,121
Due to IMF	-	593	-	-	-	6,201	6,794
Other borrowed funds	-	-	-	-	-	-	-
Other liabilities	24,427	-	785,429	-	-	55,326	865,182
Taxes on income	-	-	-	-	-	-	-
Deferred income tax liability	-	-	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	-	-	-
Total liabilities and shareholders' equity	**1,033,794**	**1,314,866**	**8,623,269**	**11,596,958**	**-**	**36,551,313**	**59,120,200**
Net repricing gap	**2,840,502**	**1,917,199**	**5,792,934**	**69,270,269**	**186,931**	**(26,685,774)**	**53,322,061**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

	TL							
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total	TOTAL
	-	-	-	-	-	59,451	59,451	5,647,028
	20,035,812	-	-	-	-	24,905	20,060,717	25,649,432
	13,653,502	-	-	-	-	-	13,653,502	114,220,178
	-	-	-	-	-	-	-	31,440
	-	-	-	-	-	-	-	323,566
	-	-	-	-	-	-	-	339,380
	-	-	-	-	-	244,011	244,011	244,011
	-	-	-	-	-	4,889	4,889	4,889
	5,986	158	1,976	-	-	35,333	43,453	48,360
	33,695,300	**158**	**1,976**	**-**	**-**	**368,589**	**34,066,023**	**146,508,284**
	-	-	-	-	-	31,743,434	31,743,434	31,743,434
	30,933,032	575,136	-	-	-	8,795	31,516,963	53,279,066
	-	-	-	-	-	2,134,910	2,134,910	38,621,031
	-	-	-	-	-	-	-	6,794
	9,939,440	-	-	-	-	-	9,939,440	9,939,440
	39,138	-	34,060	-	-	7,297	80,495	945,677
	-	-	166,909	-	-	-	166,909	166,909
	-	-	-	-	-	1,261,392	1,261,392	1,261,392
	-	-	-	-	-	70,541	70,541	70,541
	-	-	-	-	-	10,474,000	10,474,000	10,474,000
	40,911,610	**575,136**	**200,969**	**-**	**-**	**45,700,369**	**87,388,084**	**146,508,284**
	(7,216,310)	**(574,978)**	**(198,993)**	**-**	**-**	**(45,331,780)**	**(53,322,061)**	**-**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

As the Bank is the monetary authority in Turkey, the interest rate sensitive balance sheet positions in the tables should be interpreted carefully. For example, as of 31 December 2009 the relatively high interest rate sensitive position of the Bank in the 0-1 month TL maturity group mostly emanates from the TL reserve requirements that are shown in this maturity bucket. However, as reserve requirements are one of the policy tools of the Bank, the required reserve ratios and the rates of interest paid on them are determined by the Bank to attain the related policy targets, regardless of the self-induced interest rate risk. In fact, the Bank made an important policy decision regarding these accounts on 5 December 2008 and stopped paying interest on foreign currency reserve requirements and increased interest paid on TL reserve requirements in order to support the reverse dollarization process and promote TL deposits and loans. However, it should be noted that similar to any other central bank, the Bank, which uses short-term interest rates as its main monetary policy tool, does not actively manage the interest rate risk stemming from TL assets and liabilities considering that it might contradict the monetary policy implementations of the Bank. Nevertheless, the tables are prepared using all assets and liabilities including asset and liabilities denominated in TL to show the overall interest rate risk that the Bank is exposed to regardless of whether such risk is actively managed or not.

The Bank controls interest the rate risk arising from foreign reserve assets by setting maturity targets for the major reserve currencies within the scope of the SBP. While setting targets for maturities, the Bank makes use of the "duration" values that are considered to be an important indicator of the level of interest rate risk. Meanwhile, the SBP duration targets, which show the Bank's overall tolerance level to interest rate risk, are determined based on the maturity composition of the on-balance sheet liabilities and the off-balance sheet estimated cash flows, and some limits are specified for deviations from these duration targets.

For measuring the sensitivity of the Bank's foreign exchange reserves to interest rate risk, it is possible to forecast the effect of changes in the related interest rates on the market value of assets by using the average modified durations of assets denominated in major foreign reserve currencies (US$ and EUR).

Within this framework, based on the average modified durations of foreign currency assets as of 31 December 2009 and 2008, the prospective decline in the market values of the assets in case of a 1% rise in the related interest rates are presented below. The 1% rise scenario is based on the assumption that the yield curves for the related currencies shift 1% upwards in all maturities simultaneously.

Sensitivity of the market value of foreign currency assets to interest rates;

	31 December 2009			31 December 2008		
	US$	EUR	TOTAL	US$	EUR	TOTAL
Market value of the foreign currency assets	50,474,408	49,907,568	100,381,976	51,652,669	51,466,016	103,118,685
Effect of the scenario of 1% increase in interest rates	**(347,620)**	**(491,618)**	**(839,238)**	**(454,320)**	**(680,771)**	**(1,135,091)**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

The tables below set out the average effective interest rates by major currencies for monetary financial instruments at 31 December 2009 and 2008:

	31 December 2009		
	US$ (%)	EUR (%)	TL (%)
Assets			
Due from banks	0.14	0.16	7.24
Financial assets at fair value through profit or loss	0.44	0.97	5.61
Loans and advances to customers	0.37	0.82	-
Liabilities			
Due to banks	0.89	-	5.20
Other deposits	2.98	2.86	-
Other borrowed funds	-	-	6.50

	31 December 2008		
	US$ (%)	EUR (%)	TL (%)
Assets			
Due from banks	0.68	1.65	15.55
Financial assets at fair value through profit or loss	0.43	2.28	10.47
Loans and advances to customers	4.50	4.60	-
Investment securities	1.03	-	-
Liabilities			
Due to banks	1.89	-	12.00
Other deposits	3.53	3.10	-
Other borrowed funds	-	-	15.00

(f) Liquidity risk

Liquidity risk is defined as having difficulty in finding sufficient cash to meet the commitments that are due or being compelled to convert assets into cash at prices lower than their fair value. Since the Bank functions as the lender of last resort of the Turkish banking system, it is not relevant to mention TL liquidity risk. In order to manage the liquidity risk stemming from assets and liabilities denominated in foreign currencies, the Bank tries to match its cash flows in currencies and invests only in highly liquid assets in order to avoid any problems meeting unexpected payments.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

The table below shows the breakdown of both TL and foreign currency denominated assets and liabilities of the Bank in terms of their relevant maturity groupings at the balance sheet date, based on the remaining time to contractual maturity;

31 December 2009

	Foreign currency							
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Cash and gold reserves	6,785,819	-	-	-	-	-	-	6,785,819
Due from banks	5,560,312	4,310,848	-	-	-	-	-	9,871,160
Financial assets at fair value through profit or loss	-	7,186,613	12,297,324	42,172,105	34,301,237	-	-	95,957,279
Loans and advances to customers	-	-	415,844	75,041	13,823	7,610	-	512,318
Investment securities:								
-Available-for-sale	-	-	-	-	-	-	373,071	373,071
-Held-to-maturity	-	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
Other assets	-	-	-	3,864	-	-	1,087	4,951
Total assets	**12,346,131**	**11,497,461**	**12,713,168**	**42,251,010**	**34,315,060**	**7,610**	**374,158**	**113,504,598**
Currency in circulation	-	-	-	-	-	-	-	-
Due to banks	-	20,473,681	-	-	-	-	-	20,473,681
Other deposits	15,567,345	778,333	1,426,132	7,786,806	10,084,906	-	2,621,683	38,265,205
Due to IMF	-	-	1,053	-	-	-	7,148	8,201
Other borrowed funds	-	-	-	-	-	-	-	-
Other liabilities	3,356	38,242	-	688,087	-	-	47,297	776,982
Taxes on income	-	-	-	-	-	-	-	-
Deferred income tax liability	-	-	-	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	-	-	-	-
Total liabilities and shareholders' equity	**15,570,701**	**21,290,256**	**1,427,185**	**8,474,893**	**10,084,906**	**-**	**2,676,128**	**59,524,069**
Net liquidity gap	**(3,224,570)**	**(9,792,795)**	**11,285,983**	**33,776,117**	**24,230,154**	**7,610**	**(2,301,970)**	**53,980,529**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

TL								
Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total	TOTAL
88,416	-	-	-	-	-	-	88,416	6,874,235
62,353	25,074,750	8,055,283	-	-	-	-	33,192,386	43,063,546
-	2,018,245	-	6,423,888	266,169	-	-	8,708,302	104,665,581
-	-	-	-	-	-	-	-	512,318
-	-	-	-	-	-	-	-	373,071
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	240,567	240,567	240,567
-	-	-	-	-	-	4,964	4,964	4,964
724	4,995	954	4,569	-	-	43,373	54,615	59,566
151,493	**27,097,990**	**8,056,237**	**6,428,457**	**266,169**	**-**	**288,904**	**42,289,250**	**155,793,848**
-	-	-	-	-	-	38,340,278	38,340,278	38,340,278
9,335	26,410,235	-	-	-	-	45	26,419,615	46,893,296
4,987,509	-	-	-	-	-	135,653	5,123,162	43,388,367
-	-	-	-	-	-	-	-	8,201
-	14,333,082	-	-	-	-	-	14,333,082	14,333,082
-	47,433	-	46,776	-	-	4,087	98,296	875,278
-	-	-	72,064	-	-	-	72,064	72,064
-	-	-	-	-	-	986,043	986,043	986,043
-	-	-	-	-	-	76,247	76,247	76,247
-	-	-	-	-	-	10,820,992	10,820,992	10,820,992
4,996,844	**40,790,750**	**-**	**118,840**	**-**	**-**	**50,363,345**	**96,269,779**	**155,793,848**
(4,845,351)	**(13,692,760)**	**8,056,237**	**6,309,617**	**266,169**	**-**	**(50,074,441)**	**(53,980,529)**	**-**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

31 December 2008

	Foreign currency							
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Cash and gold reserves	5,587,577	-	-	-	-	-	-	5,587,577
Due from banks	3,953,260	1,635,455	-	-	-	-	-	5,588,715
Financial assets at fair value through profit or loss	-	2,238,841	3,229,534	14,070,155	80,849,496	178,650	-	100,566,676
Loans and advances to customers	-	-	2,531	2,897	17,731	8,281	-	31,440
Investment securities:								
-Available-for-sale	-	-	-	-	-	-	323,566	323,566
-Held-to-maturity	-	-	-	339,380	-	-	-	339,380
Property and equipment	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
Other assets	-	-	-	3,771	-	-	1,136	4,907
Total assets	**9,540,837**	**3,874,296**	**3,232,065**	**14,416,203**	**80,867,227**	**186,931**	**324,702**	**112,442,261**
Currency in circulation	-	-	-	-	-	-	-	-
Due to banks	-	21,762,103	-	-	-	-	-	21,762,103
Other deposits	11,391,773	795,916	1,314,273	7,837,840	11,596,958	-	3,549,361	36,486,121
Due to IMF	-	-	593	-	-	-	6,201	6,794
Other borrowed funds	-	-	-	-	-	-	-	-
Other liabilities	9,634	24,427	-	785,429	-	-	45,692	865,182
Taxes on income	-	-	-	-	-	-	-	-
Deferred income tax liability	-	-	-	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	-	-	-	-
Total liabilities and shareholders' equity	**11,401,407**	**22,582,446**	**1,314,866**	**8,623,269**	**11,596,958**	**-**	**3,601,254**	**59,120,200**
Net liquidity gap	**(1,860,570)**	**(18,708,150)**	**1,917,199**	**5,792,934**	**69,270,269**	**186,931**	**(3,276,552)**	**53,322,061**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

TL								
Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total	TOTAL
59,451	-	-	-	-	-	-	59,451	5,647,028
16,726	20,035,812	-	-	-	-	8,179	20,060,717	25,649,432
-	-	-	5,232,070	8,421,432	-	-	13,653,502	114,220,178
-	-	-	-	-	-	-	-	31,440
-	-	-	-	-	-	-	-	323,566
-	-	-	-	-	-	-	-	339,380
-	-	-	-	-	-	244,011	244,011	244,011
-	-	-	-	-	-	4,889	4,889	4,889
3,223	5,986	158	1,976	-	-	32,110	43,453	48,360
79,400	**20,041,798**	**158**	**5,234,046**	**8,421,432**	**-**	**289,189**	**34,066,023**	**146,508,284**
-	-	-	-	-	-	31,743,434	31,743,434	31,743,434
8,742	30,933,032	575,136				53	31,516,963	53,279,066
1,992,345	-	-	-	-	-	142,565	2,134,910	38,621,031
-	-	-	-	-	-	-	-	6,794
-	9,939,440	-	-	-	-	-	9,939,440	9,939,440
-	39,138	-	34,060	-	-	7,297	80,495	945,677
-	-	-	166,909	-	-	-	166,909	166,909
-	-	-	-	-	-	1,261,392	1,261,392	1,261,392
-	-	-	-	-	-	70,541	70,541	70,541
-	-	-	-	-	-	10,474,000	10,474,000	10,474,000
2,001,087	**40,911,610**	**575,136**	**200,969**	**-**	**-**	**43,699,282**	**87,388,084**	**146,508,284**
(1,921,687)	**(20,869,812)**	**(574,978)**	**5,033,077**	**8,421,432**	**-**	**(43,410,093)**	**(53,322,061)**	**-**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

The gross contractual cash flows of non-derivative financial liabilities are shown in the table below. The payments include amounts of both principal and interest on an undiscounted basis and therefore the totals will not agree to the totals presented in the balance sheet.

31 December 2009

	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Currency in circulation	-	-	-	-	-	-	38,340,278	38,340,278
Due to banks	9,335	46,883,916	-	-	-	-	45	46,893,296
Other deposits	20,554,854	819,482	1,508,028	8,223,795	10,904,910	-	2,757,336	44,768,405
Due to IMF	-	-	1,053	-	-	-	7,148	8,201
Other borrowed funds	-	14,340,830	-	-	-	-	-	14,340,830
Total financial liabilities	**20,564,189**	**62,044,228**	**1,509,081**	**8,223,795**	**10,904,910**	**-**	**41,104,807**	**144,351,010**

31 December 2008

	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Currency in circulation	-	-	-	-	-	-	31,743,434	31,743,434
Due to banks	8,742	53,270,271	-	-	-	-	53	53,279,066
Other deposits	13,384,118	856,665	1,289,017	9,075,137	11,675,773	-	3,691,926	39,972,636
Due to IMF	-	-	593	-	-	-	6,201	6,794
Other borrowed funds	-	9,939,440	-	-	-	-	-	9,939,440
Total financial liabilities	**13,392,860**	**64,066,376**	**1,289,610**	**9,075,137**	**11,675,773**	**-**	**35,441,614**	**134,941,370**

(g) Operational risk

Operational risk is the risk of loss due to human or system errors, incompatibility or failure of internal business processes, or external events.

The Bank seeks to minimize losses from operational risk by establishing effective internal control systems which prevent or detect all errors and situations which might cause losses through failure of people or processes in such a way that losses are avoided or reduced to the minimum extent possible.

The Bank has assigned the responsibility for managing the operational risk to the managements of the departments. According to the decrees of the Board, financial losses occurring as a result of operational risk are reported to the appropriate management levels depending on the amount of the financial loss. The limits associated with losses are updated by the Board whenever deemed necessary. The financial loss is recorded under the non-deductible expenses account upon the approval of the authorized management level. The recorded losses are quarterly reported to the Board.

The assessment of risks in terms of their effects and probabilities (including operational risk) and the adequacy, effectiveness and efficiency of the controls established to mitigate the risks are made via audits conducted by the Audit Department ("AD") of the Bank that reports directly to the Governor.

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AD performs risk assessment in two phases. The first phase is to prepare the Annual Audit Plan. AD reviews the fundamental business processes throughout the Bank at the end of each year. Business processes to be audited are ranked on a risk-basis. Each business process is evaluated in terms of financial risk, operational risk, legal risk and reputation risk. Business processes with the highest-ranking risks are included in the following year's Annual Audit Plan.

In the second phase, in every audit assignment processes with higher risk are examined in more detail in terms of risks and controls. Risks that may arise due to human error, system failure, insufficient/ineffective procedures and/or sub-processes are determined. The audited business process is assessed with regard to business continuity procedures, physical safety, system safety, conformity to legal arrangements and written rules, sufficiency of human resources and information safety. In addition, the financial risk and reputation risk are also determined. Controls that are designed to reduce these risks to acceptable levels are assessed in terms of sufficiency and effectiveness; additional controls are proposed in order to increase effectiveness.

Following the audits, the major risks and recommendations are regularly reported to the Executive Committee. Action plans that are taken to reduce the risks to acceptable levels are monitored.

(h) Fair value of financial instruments

Fair value is the amount at 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, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a current market exchange.

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	Carrying value		Fair value	
	2009	2008	2009	2008
Financial assets				
Cash and gold reserves	6,874,235	5,647,028	6,874,235	5,647,028
Due from banks	43,063,546	25,649,432	43,074,215	25,649,432
Loans and advances to customers	512,318	31,440	511,163	29,823
Investment securities (held-to-maturity)	-	339,380	-	340,264
Financial liabilities				
Currency in circulation	38,340,278	31,743,434	38,340,278	31,743,434
Due to banks	46,893,296	53,279,066	46,893,296	53,279,066
Other deposits	43,388,367	38,621,031	43,727,766	38,453,295
Other borrowed funds	14,333,082	9,939,440	14,333,082	9,939,440

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The following methods and assumptions were used to estimate the fair value of the Bank's financial instruments:

(i) Financial assets

The fair values of certain financial assets carried at amortized cost, including cash and due from banks are considered to approximate their respective carrying values due to their short-term nature.

The fair value of loans and advances to customers, along with the related allowances for uncollectibility, is based on discounted cash flows using interest rates prevailing at the balance sheet date with similar assets.

Since the available for sale financial assets are unlisted equity participations, investment securities include only held to maturity financial assets as interest-bearing. The fair value for held-to-maturity assets is based on market prices or interest rates at the balance sheet date.

(ii) Financial liabilities

The fair value of currency in circulation represents the face value of the notes in issue.

The fair values of certain financial liabilities carried at amortized cost, including due to banks and other borrowed funds are considered to approximate their respective carrying values due to their short-term nature.

The estimated fair value of other deposits without a quoted market price is based on discounted cash flows using money market interest rates prevailing at the balance sheet date with similar credit risk, currency and maturity.

The following table summarizes the fair values of those financial assets presented on the Bank's balance sheet based on the hierarchy of valuation technique as of 31 December 2009 and 2008.

31 December 2009	Level 1 (*)	Level 2 (**)	Level 3 (***)	Total
Financial assets at fair value through profit and loss				
Financial assets held for trading				
- Debt securities	98,241,693	6,423,888	-	104,665,581
Available-for-sale financial assets				
- Investment securities - equity	-	373,071	-	373,071
Total assets	**98,241,693**	**6,796,959**	**-**	**105,038,652**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

31 December 2008	Level 1 (*)	Level 2 (**)	Level 3 (***)	Total
Financial assets at fair value through profit and loss				
Financial assets held for trading				
- Debt securities	100,566,676	13,653,502	-	114,220,178
Available-for-sale financial assets				
- Investment securities - equity	-	323,566	-	323,566
Total assets	**100,566,676**	**13,977,068**	**-**	**114,543,744**

(*) Fair values are calculated with quoted prices (unadjusted) in active markets for listed equity securities and debt instruments. This level includes listed debt instruments on exchanges.
(**) Fair values are calculated with observable input parameters (either directly as prices or data indirectly as derived from prices) for debt securities and equity instruments.
(***) Fair values are calculated with unobservable inputs.

(i) Capital management

The Bank's equity capital at 31 December 2009 and 2008 comprises:

	2009	2008
Share capital	47,464	47,464
Retained earnings	10,437,717	10,139,250
Other reserves	335,811	287,286
Equity	**10,820,992**	**10,474,000**

Movements in equity capital during the year are explained in the Statement of Changes in Shareholder's Equity in the financial statements.

The Bank is not subject to any regulatory requirements concerning the level of capital it must maintain, however the Central Bank Law sets out how the statutory annual net profit for the year shall be allocated. The principal source of capital increase is through retention of the undistributed element of the profit.

Being a non-profit organization, the Bank does not seek profit maximization. Instead it seeks to make a profit commensurate with normal market returns in areas where it conducts normal commercial operations.

The Bank's primary capital management objective is to maintain sufficient capital to absorb unexpected losses arising from the fulfillment of the responsibilities assigned to the Bank by the Central Bank law. The most significant unexpected losses are likely to arise out of support operations and the Bank's role as the lender of last resort or from losses on the foreign exchange reserves should the TL appreciate significantly against other world currencies.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

In order to maintain sufficient capital and to obtain the necessary liquidity the Bank focuses on low risk investments prudently to earn an appropriate return taking into consideration the credit risk of the counterparty. Additionally, the Bank, in the employment of strategic assets, takes into consideration the risk tolerance of the Bank and gives importance to the protection of the capital and national reserves of the Bank.

NOTE 5 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on a continuous basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Fair value of equity investments that are available for sale

The equity investment classified for accounting purposes as available for sale, which is held by the Bank for the long term as part of its central banking activities is valued at fair value, which is calculated as being 70% of the Bank's interest in the net asset value of the equity investment. This valuation method has previously been used to establish the appropriate price for purchase and repurchase transactions in the equity investment (Note 10).

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 6 - CASH AND GOLD RESERVES

	2009	2008
Gold bullion - international standards	6,205,039	4,883,049
Cash in hand	499,362	630,097
Gold bullion - non-international standards	165,609	130,557
Gold coins	4,225	3,325
	6,874,235	**5,647,028**

Gold coins and bullion in the amount of TL18,469 thousand (2008: TL14,534 thousand) are kept in the Bank's vaults on behalf of the Turkish Treasury.

NOTE 7 - DUE FROM BANKS

	2009	2008
Funds lent under reverse repurchase transactions	33,351,447	20,249,263
Time deposits	4,089,434	1,422,004
Demand deposits	5,622,665	3,978,165
	43,063,546	**25,649,432**

Reverse repurchase transactions are performed as part of the open market operations of the Bank.

NOTE 8 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		2009	2008	
	Cost	Carrying value	Cost	Carrying value
Turkish government bonds and treasury bills	8,658,589	8,708,302	13,794,321	13,653,502
Foreign government bonds and treasury bills	90,268,379	91,016,528	93,333,957	95,306,061
Corporate bonds of supranational institutions	4,767,938	4,940,751	5,107,752	5,260,615
	103,694,906	**104,665,581**	**112,236,030**	**114,220,178**

Corporate bonds of supranational institutions are coupon and discount securities mainly issued by the European Investment Bank.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

The breakdown of carrying values of foreign government bonds, corporate bonds and treasury bills by country is as follows at 31 December 2009:

Country of origin	2009
United States	45,992,424
Germany	22,688,631
France	12,356,343
Spain	5,803,424
The Netherlands	2,429,201
Belgium	1,187,359
Other	5,499,897
	95,957,279

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS

	2009	2008
Loans to corporate entities:		
Foreign country loans	26,482	31,051
Domestic loans	485,836	389
Performing loans	**512,318**	**31,440**
Impaired loans and advances	2,288,800	2,291,298
Gross loans and advances to customers	**2,801,118**	**2,322,738**
Less: Allowance for loan losses	(2,288,800)	(2,291,298)
Net loans and advances to customers	**512,318**	**31,440**

Movement in the allowance for loan losses is as follows:

	2009	2008
Balance at 1 January	**2,291,298**	**1,714,781**
Impairment losses on loans and advances	7,772	57,466
Foreign exchange (gain)/loss	(10,270)	519,051
At 31 December	**2,288,800**	**2,291,298**

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As of 31 December 2009, the restructured loans and advances of the Bank amount to TL26,482 thousand (2008: TL31,051 thousand). In accordance with the restructuring agreement of the Bank regarding the above mentioned restructured loans, the Bank forwent TL7,096 thousand (US$4,712,511) (2008: TL7,127 thousand (US$4,712,511)) of its interest receivable which will accrue again if the counterparty fails to meet the conditions stated in the restructuring agreement. As of 31 December 2009 and 2008, the Bank provided allowance over such contingent interest receivable.

NOTE 10 - INVESTMENT SECURITIES

	2009	2008
Securities available-for-sale		
Equity shares		
- unlisted	373,071	323,566
Total securities available-for-sale	**373,071**	**323,566**
Securities held-to-maturity		
Government bonds	-	339,380
Total securities held-to-maturity	**-**	**339,380**
Total investment securities	**373,071**	**662,946**

The Bank owns shares issued by the BIS. The shares have a par value of SDR5,000 each and are paid up to SDR1,250 each. The balance of SDR3,750 per share is callable at three months' notice by the decision of the BIS Board and the total amount of commitment is disclosed under contingencies and commitments as of 31 December 2009 and 2008 (Note 27).

As of 31 December 2009 and 2008, the Bank's investment in shares issued by the BIS is valued at fair value, which is calculated as being 70% of the Bank's interest in BIS's net asset value in SDR, as of 31 December 2009 and 2008, converted to TL at the year end TL/SDR exchange rate. This valuation method has previously been used to establish the appropriate price for purchase and repurchase transactions in BIS share.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

The available-for-sale-securities at 31 December are as follows:

		Ownership (%)			Amount
Name	Nature of business	2009	2008	2009	2008
BIS	Banking Supervision	1.5	1.5	373,023	323,520
S.W.I.F.T.	Electronic Fund Transfer Services	0.007	0.007	48	46
				373,071	**323,566**

The movement in investment securities is as follows:

	Available-for-sale	Held-to-maturity	Total
At 1 January 2009	323,566	339,380	662,946
Purchases	-	-	-
Fair value changes	47,620	-	47,620
Redemptions	-	(336,889)	(336,889)
Foreign exchange gain	1,885	(2,491)	(606)
At 31 December 2009	**373,071**	**-**	**373,071**

As of 31 December 2008, held-to-maturity securities consist of government bonds issued by the U.S. Treasury that are financed by the Turkish Defense Fund ("Fund") deposits and are kept under the custody of the Federal Reserve Bank of New York in the name of the Bank. The securities are carried at incurred cost. In 2009, these held-to-maturity securities were matured and the proceeds from these securities were credited to the deposit account of the Fund.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

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NOTE 11 - PROPERTY AND EQUIPMENT

	Land and buildings	Equipment and vehicles	Construction in progress	Total
At 31 December 2007				
Cost	324,630	44,463	4,351	373,444
Accumulated depreciation	(117,029)	(22,230)	-	(139,259)
Net book value	**207,601**	**22,233**	**4,351**	**234,185**
Year ended 31 December 2008				
Opening net book value	207,601	22,233	4,351	234,185
Additions	8,947	11,649	2,810	23,406
Transfers	411	-	(411)	-
Disposals (net)	(21)	(16)	-	(37)
Depreciation charge (Note 26)	(6,898)	(6,645)	-	(13,543)
Closing net book value	**210,040**	**27,221**	**6,750**	**244,011**
At 31 December 2008				
Cost	333,783	55,086	6,750	395,619
Accumulated depreciation	(123,743)	(27,865)	-	(151,608)
Net book value	**210,040**	**27,221**	**6,750**	**244,011**
Year ended 31 December 2009				
Opening net book value	210,040	27,221	6,750	244,011
Additions	1,945	5,050	5,477	12,472
Transfers	2,617	-	(2,617)	-
Disposals (net)	(285)	(67)	-	(352)
Depreciation charge (Note 26)	(6,931)	(8,633)	-	(15,564)
Closing net book value	**207,386**	**23,571**	**9,610**	**240,567**
At 31 December 2009				
Cost	337,391	57,691	9,610	404,692
Accumulated depreciation	(130,005)	(34,120)	-	(164,125)
Net book value	**207,386**	**23,571**	**9,610**	**240,567**

As of 31 December 2009 and 2008, the Bank has sold land and buildings and equipment and vehicles amounting to TL669 thousand (2008: TL184 thousand) and TL2,378 thousand (2008: TL1,010 thousand), respectively which were fully depreciated at the date of sale.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

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NOTE 12 - INTANGIBLE ASSETS

	Cost	Accumulated amortisation	Net book value
Opening balance at 1 January 2008	8,537	(5,687)	2,850
Additions	2,764	(725)	2,039
Balance at 31 December 2008	**11,301**	**(6,412)**	**4,889**
Opening balance at 1 January 2009	11,301	(6,412)	4,889
Additions	785	(710)	75
Balance at 31 December 2009	**12,086**	**(7,122)**	**4,964**

NOTE 13 - OTHER ASSETS

	2009	2008
Raw material and work-in-progress	37,928	28,724
Electronic Fund Transfer ("EFT") commission income accrual	4,478	3,409
Dividend income accrual	3,864	3,771
Prepaid expenses	2,802	2,514
Reclaimed corporate tax	2,057	1,344
Other	8,437	8,598
	59,566	**48,360**

The Bank produces national currency banknotes; expenses associated with the banknotes for the uncompleted banknotes are recorded under the work-in-progress account and the banknote papers that will be used in the production of banknotes are recorded under the raw material account.

NOTE 14 - CURRENCY IN CIRCULATION

	2009	2008
Balance at 1 January	**31,743,434**	**27,429,389**
Banknotes issued into circulation	54,250,067	25,591,848
Banknotes withdrawn from circulation and destroyed	(47,651,734)	(21,277,803)
Demonetized banknotes	(1,489)	-
Balance at 31 December	**38,340,278**	**31,743,434**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 15 - DUE TO BANKS

	2009	2008
Deposits for reserve requirement obligations	39,482,604	45,192,519
Current accounts of banks	7,189,278	7,873,096
Deposits of banks for foreign exchange deposit market	221,414	213,451
	46,893,296	**53,279,066**

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

NOTE 16 - OTHER DEPOSITS

	2009	2008
Deposits of Turkish Treasury	20,370,611	13,111,188
Deposits by citizens abroad	20,076,175	21,544,986
Deposits of state owned funds	2,822,406	3,757,925
Deposits of state owned entities	119,175	206,932
	43,388,367	**38,621,031**

Deposits by citizens abroad are time deposits with maturities varying from one to three years; other deposits held by government related institutions are interest-free deposits except for the demand deposits amounting to TL64,730 thousand (2008: TL18,543 thousand).

The breakdown of deposits by citizens abroad by currency type and related interest rates is as follows.

	2009		2008	
	Interest rate (*) (%)	TL amount	Interest rate (*) (%)	TL amount
US$	0.25-3.25	935,599	0.25-3.25	1,077,441
EUR	0.25-2.75	19,056,640	0.25-2.75	20,375,369
CHF	0.25-0.50	76,520	0.25-0.75	84,392
GBP	0.25-1.00	7,416	0.25-1.00	7,784
		20,076,175		**21,544,986**

Accounts denominated in EUR, US$, GBP, CHF and opened with a maturity of one year prior to 6 March 2006 are rolled over at the rate of 0.25%, unless there is a customer request to the contrary. Minimum interest rates of the deposit accounts other than the ones mentioned above are 1.00%, 1.00%, 0.5% and 1.00% for EUR, US$, CHF and GBP respectively as of 31 December 2009 (2008: 2.25%, 2.00%, 0.75% and 1.00% for EUR, US$, CHF and GBP respectively).

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NOTE 17 - DUE TO IMF

Due to IMF is denominated in SDR. Due to IMF includes borrowings related to Turkey's IMF quota for the year ending 31 December 2009 and 2008. As of 31 December 2009 and 2008, borrowings related to Turkey's IMF quota are non-interest bearing with no stated maturity.

All borrowings from the IMF are guaranteed by promissory notes which have been cosigned by the Turkish Government.

As of 1 November 2006, the country quota of Turkey increased by SDR 227,300,000 reaching SDR 1,191,300,000. 25% of the quota increase in the amount of SDR 56,825,000 has been paid in cash and the rest of the increase in the amount of SDR 170,475,000 has been paid in securities to the account of IMF at the Bank.

NOTE 18 - OTHER BORROWED FUNDS

	2009	2008
Funds borrowed from interbank money market	12,316,723	9,939,440
Funds borrowed under repurchase agreements	2,016,359	-
	14,333,082	**9,939,440**

NOTE 19 - OTHER LIABILITIES

	2009	2008
Import transfer orders and deposits	679,678	776,822
Taxes and withholdings payable	83,084	66,140
Expense accruals	49,136	36,956
Blocked accounts for pending court cases	35,518	35,627
Creditors of foreign currencies that were deposited as trust	570	484
Other	27,292	29,648
	875,278	**945,677**

NOTE 20 - TAXATION

	2009	2008
Taxes on income	467,284	340,568
Prepaid tax	(395,220)	(173,659)
Income taxes payable - net	**72,064**	**166,909**

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The Corporate Tax Law was amended by Law No.5520 dated 13 June 2006. Most of the articles of the new Corporate Tax Law in question, No.5520, have come into force effective from 1 January 2006. Accordingly, corporation tax is payable, at a rate of 20% (2008: 20%) on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and investment and other allowances in accordance with the new tax legislation and the Central Bank Law. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via the issuing of bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set-off against other liabilities to the government.

75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital in accordance with the New Corporate Tax Law or are recorded under a specific fund account for five years.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Corporations file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

	2009	2008
Provision for taxes as per statement of income at 31 December		
- Current	467,284	340,568
- Deferred	(277,818)	1,246,392
Income taxes payable - net	**189,466**	**1,586,960**

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Deferred income taxes

Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in fiscal year 2009 under the liability method using a principal tax rate of 20% (2008: 20%).

The Bank recognises deferred tax assets and liabilities based upon temporary differences arising between the carrying amounts of assets and liabilities in the financial statements reported for IFRS purposes and the tax base of assets and liabilities. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes. The principal temporary differences arise from the retirement benefit obligations, net differences between carrying amounts and tax bases of property, plant and equipments, fair value differences on financial assets and transfer of the valuation account to income statement (Note 25).

Deferred income tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred income tax asset can be utilized. Since the Bank did not have a plan regarding future taxable profit that would be available against which the deferred income tax asset could be utilized, deferred income tax assets were not recognised before 1 January 2008. As of 31 December 2009 and 2008, the Bank calculated and recognised deferred income tax liability based upon the temporary differences.

The breakdown of such cumulative temporary differences and the resulting deferred income tax assets/(liabilities) at 31 December using enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2009	**2008**	**2009**	**2008**
Retirement benefit obligations	76,247	70,541	15,249	14,108
Net differences between carrying value and tax base of property and equipment	44,928	44,028	8,986	8,806
Other	55,489	42,835	11,098	8,567
Total Assets	**176,664**	**157,404**	**35,333**	**31,481**
Transfer of valuation account to income statement	(5,010,104)	(6,377,223)	(1,002,021)	(1,275,445)
Fair value differences on financial assets	(349,373)	(300,007)	(17,469)	(15,000)
Interest accrual calculation difference of deposits using effective interest rate method	(9,433)	(12,142)	(1,886)	(2,428)
Total Liabilities	**(5,368,910)**	**(6,689,372)**	**(1,021,376)**	**(1,292,873)**
Net Liability	**(5,192,246)**	**(6,531,968)**	**(986,043)**	**(1,261,392)**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

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Movement of deferred income tax liability during the year is as follows:

	2009	2008
Balance at 1 January	**1,261,392**	**-**
Deferred income tax charge to income statement, net	(277,818)	1,246,392
Deferred income tax charge to shareholder's equity	2,469	15,000
Balance at 31 December	**986,043**	**1,261,392**

The reconciliation for taxation charge is stated below:

	2009	2008
Profit before income taxes	**1,826,127**	**13,385,017**
Tax charge calculated at a tax rate of 20% (2008: 20%)	365,225	2,677,003
Income exempt from taxation	(181,561)	(1,095,011)
Non-deductible expenses	5,802	4,968
Income tax expense	**189,466**	**1,586,960**

NOTE 21 - RETIREMENT BENEFIT OBLIGATIONS

Under the Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TL2,365.16 (31 December 2008: TL2,173.19) for each year of service.

The liability is not funded, as there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of its employees.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

IAS 19 "Employment Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2009	2008
Discount rate (%)	5.92	6.26
Rate to estimate the probability of retirement (%)	99	99

Additionally, the principal actuarial assumption is that the maximum liability of TL2,365.16 for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL2,427.04 effective from 1 January 2010 (1 January 2009: TL2,260.05), has been taken into consideration in calculating the reserve for the retirement benefit obligation of the Bank.

Movement in the retirement benefit obligation recognized in the financial statements is as follows:

	2009	2008
At 1 January	**70,541**	**64,292**
Current year charge	11,351	12,142
Paid during the year	(5,645)	(5,893)
At 31 December	**76,247**	**70,541**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 22 - NET INTEREST INCOME

	2009	2008
Interest income:		
Financial assets at fair value through profit or loss	3,733,149	4,682,629
Securities purchased under agreements to resell	2,290,840	1,894,753
Due from banks	15,597	95,144
Loans and advances to customers	15,188	53,738
	6,054,774	**6,726,264**
Interest expense:		
Due to banks	1,383,050	2,297,259
Other borrowed funds	1,119,667	1,011,156
Securities sold under repurchase agreements	986,833	835,497
Other deposits	572,620	764,997
Due to IMF	2,989	6,030
Financial liabilities designated at fair value	-	6,290
Other	31	74
	4,065,190	**4,921,303**
Net interest income	**1,989,584**	**1,804,961**

NOTE 23 - NET FEE AND COMMISSION INCOME

	2009	2008
Fee and commission income:		
EFT commission income	54,318	52,339
Open market operations	3,987	3,308
Other fund transfer fees	717	1,377
Other	4,840	3,942
	63,862	**60,966**
Fee and commission expense:		
Correspondent bank accounts	3,068	3,107
Other	6,714	4,980
	9,782	**8,087**
Net fee and commission income	**54,080**	**52,879**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 24 - DIVIDEND INCOME

Dividend income represents cash dividends from the equity participations of the Bank.

	2009	2008
Available-for-sale securities	4,841	4,884
	4,841	**4,884**

NOTE 25 - FOREIGN EXCHANGE GAINS, NET

	2009	2008
Foreign exchange gains, net		
- translation (losses)/gains, net	(1,367,257)	11,082,744
- transaction gains/(losses), net	2,917,245	(168,527)
	1,549,988	**10,914,217**

As of 31 December 2009 and 2008, translation gains/(losses) include the unrealized foreign exchange gains/(losses) and the unrealized gains on gold balances. In the statutory financial statements of the Bank the unrealized foreign exchange gains/(losses) and unrealized gains on gold balances are excluded from the statutory net profit and monitored in a temporary account, namely "Valuation Account", in accordance with the Central Bank Law in Turkey.

NOTE 26 - OTHER OPERATING EXPENSES

	2009	2008
Wages and salaries	371,887	318,719
Administrative expenses	124,931	95,429
KOSGEB Fund participation fee	46,728	34,057
Social security costs	32,076	28,004
Depreciation (Notes 11 and 12)	16,274	14,268
Other	1,965	1,381
	593,861	**491,858**

As the Bank's more than 50% of the paid-in share capital is owned by the government entities, the Bank is obliged to pay annual fee at a rate of 2% of the corporate tax base of the Bank to Small and Medium Industries Development Organization ("KOSGEB") in accordance with the establishment law of KOSGEB.

The average number of persons employed by the Bank during the year 2009 was 4,454 (2008: 4,520).

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 27 - COMMITMENTS AND CONTINGENT LIABILITIES

	2009	2008
Guarantees taken	25,803,223	26,124,227
Uncalled BIS shares (Note 10)	70,950	70,539
Futures transactions	-	107,174
	25,874,173	**26,301,940**

As of 31 December 2009, the Bank has no derivative financial instruments and there are no collaterals given related to derivative financial instruments.

As of 31 December 2008, the Bank has undertaken future contracts as derivative financial instruments with a nominal value of TL107,174 thousand accounted for as off-balance sheet liabilities. With reference to these contracts, a valuation is performed on a daily basis with market prices and in the case of profit in favor of the Bank, the profit amount is deposited to the Bank's current account by the counterparty financial institution; in the case of loss, the loss amount is transferred from the current account of the Bank to the account of the counterparty financial institution. As of 31 December 2008, the Bank keeps collateral for future contracts amounting to TL602 thousand in the correspondent bank accounts.

As of 31 December 2009, there are a number of legal proceedings outstanding against the Bank amounting to TL65,928 thousand, US$247,352 and EUR162,810 (2008: TL76,691 thousand, US$379,320 and EUR338,098). As of 31 December 2009, the Bank provided allowance amounting to TL1,665 thousand (2008: TL1,651 thousand) for two of these legal proceedings. For the remaining legal proceedings, no provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

NOTE 28 - SHARE CAPITAL

The shareholder structure of the Bank as at 31 December 2009 and 2008 is as follows:

	31 December 2009		31 December 2008	
	TL	Share %	TL	Share %
Turkish Treasury	14	55	14	55
T.C. Ziraat Bankası A.Ş.	5	19	5	19
T.C.M.B Mensupları Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı	1	5	1	5
Türkiye Garanti Bankası A.Ş.	1	3	1	3
Türkiye İş Bankası A.Ş.	1	2	1	2
Others	3	16	3	16
Historical share capital	**25**	**100**	**25**	**100**
Inflation adjustment on share capital	**47,439**		**47,439**	
Total paid-in capital	**47,464**		**47,464**	

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

According to 5th article of the Central Bank Law, the capital of the Bank is TL25 thousand and is divided into 250,000 shares, with a value of TL0.1 each. The capital may be increased with the approval of the Turkish Government. The shares are divided into (A), (B), (C), and (D) shares. The (A) group shares belongs solely to the Turkish Treasury while (B) shares belong 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.

NOTE 29 - RETAINED EARNINGS AND LEGAL RESERVES

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution in accordance with the Central Bank Law to the employees, Turkish Treasury and other shareholders, subject to the legal reserve requirement referred to below.

The appropriation of the profit after tax of the Bank is as follows;

i) 20% to the reserve fund,

ii) 6% to the shareholders as an initial dividend,

iii) after deducting the above-stated percentages a maximum of 5% of the remaining amount to the Bank personnel in an amount not exceeding the total of two months' salaries, and 10% percent to the extraordinary reserve fund,

iv) 6% as a secondary dividend to the shareholders, with the decision of the General Assembly.

The remaining balance shall be transferred to the Turkish Treasury after this allocation.

As of the date of this report, no profit appropriation decision has been made by the General Assembly of the Bank for 2009 statutory distributable profit of the Bank.

NOTE 30 - CASH AND CASH EQUIVALENTS

	2009	2008
Cash and gold reserves	6,874,235	5,647,028
Due from banks (excluding accrued interest)	42,932,212	25,649,011
	49,806,447	**31,296,039**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 31 - RELATED PARTY BALANCES AND TRANSACTIONS

These financial statements include the following related party balances and transactions.

(i) Balances with related parties

Balances with related parties represent balances with shareholders, except for receivables from BIS amounting to TL2,519,714 thousand (2008: TL350,317 thousand) classified under Due from banks account.

	2009	2008
Assets:		
Financial assets at fair value through profit or loss	8,708,302	13,864,337
Due from banks	31,214,688	19,975,794
Liabilities:		
Due to banks	34,711,335	41,550,054
Other deposits	23,312,192	17,076,045

	2009	2008
(ii) Transactions with related parties		
Salaries and other short-term benefits to key management	3,452	2,638
Interest income (*)	730,958	1,701,961
Interest expense (*)	1,033,980	1,709,139
Fee and commission income (*)	28,756	28,234
Dividends paid to shareholders	1,334,625	3

(*) Represent transactions with shareholders.

200 TL

YUNUS EMRE

Yunus Emre, who is believed to have been born in 1238 and passed away in 1320 was a Turkish Sufi folk poet, renowned as a pioneer of Turkish Poetry in Anatolia. The infinite tolerance of Yunus Emre was also reflected in his understanding of art. He combined both religious and national values in his verse. He expressed mystical concepts using the most beautiful and exceptional features of the Turkish language.

Portrait, E-9 Emission Group
Depicted on the back of the TL 200 denomination from Series 1

4.4. AUDIT AT THE BANK AND AUDITS REPORTS

4.4.1. AUDIT AT THE CBRT

The activities of the Bank, which operates as a joint stock company, are audited by both internal and external auditors in compliance with the regulations of Bank Law No 1211.

Audits Conducted by the Internal Organs of the Bank

In accordance with Article No 15 of the Bank Law, the General Assembly examines and resolves whether to approve the annual report submitted by the Board of the Bank, the report of the Auditing Committee, the Bank's balance sheet, and profit and loss accounts. The General Assembly completes the monitoring of the activities of the Bank every year by clearing the Board of the Bank and the Auditing Committee.

In accordance with Article No 24 of the Bank Law, the Auditing Committee supervises all the operations and accounts of the Bank and submits a report to the General Assembly to be drawn upon operations and accounts of the Bank at the end of the year. Under the authority of the Bank's Law, the Auditing Committee has the responsibility of submitting its written opinions to the Board and also presenting a copy thereof to the Prime Ministry.

According to Articles no 49 and 50 of the Main Regulation on Organization and Duties of the Bank, the authority of and responsibility for auditing the Bank's transactions are entrusted with the Audit Department.

The restructuring process of the Inspection Unit and the Internal Audit Department under the Audit Department was completed in 2009. Upon the Board's Decision no. 9193/18792 and as of July 09, 2009, it was decided that the Central Bank's Regulation on Audit would be effective from the date of publication. It was also decided that the Regulations of Internal Audit and Inspection Unit would be annulled on the enforcement date of the new Regulation. The Regulation on audit took effect upon publication in the Official Gazette no. 27334 and dated August 29, 2009.

The Department has the duty and authority to conduct audits, examinations and research; carry out investigations and offer consulting services when needed in the units, branches and representative offices of the Bank and also at institutions and organizations other than the Bank that fall within the scope of the authorities and duties granted by Law No. 1211 as well as other legislations.

The Audit Department is composed of 15 chief inspectors, 2 consultant inspectors, 5 chief auditors, 8 auditors, 3 inspectors, 4 authorized assistant auditors and 2 authorized IT assistant auditors and 11 assistant inspectors. Among them, one chief auditor and one chief inspector are assigned to assist the Executive Director in conducting his duties.

The system of "Follow-up of Audit Results", which was established to monitor whether the necessary actions are taken regarding issues in the audit reports, to inform and to take opinions of the Executive Committee, the Board and the Auditing Committee was held in February, August and November in 2009. It was decided that the Follow-up of Audit Results would be periodically carried out in May and November of each year.

Audits Conducted by External Auditors

Article 42 of the Bank Law constitutes the legal basis of the external auditing of the Bank. Accordingly, the Prime Minister may request the audit of the Bank's transactions and accounts.

In accordance with Article No 42 of the Bank Law, the Governor submits a report to the Council of Ministers on the operations of the Bank and the monetary policy followed and to be followed each year, in April and October. The Bank furnishes information regarding its operations to the Planning and Budget Commission of the Grand National Assembly of Turkey twice a year.
In accordance with the second paragraph of the same Article, the Bank may assign external auditors to audit the balance sheet and profit and loss statement of the Bank. The independent external review of the Bank's accounts has been deemed vital to the corporate governance of the Bank, and was first initiated in 2000. As part of the transparency and accountability principles adopted, reports prepared following the audit engagements each year are made public via the Bank's website.

Besides the above mentioned audits, the Undersecretariat of Treasury, the State Supervisory Commission, some ministries and other authorized government agencies, may conduct audits through their auditors in the Bank on subjects related to their duties, if needed.

4.4.2. REPORT OF THE AUDITING COMMITTEE FOR 2009

CENTRAL BANK OF THE REPUBLIC OF TURKEY
JOINT STOCK COMPANY

AUDITING COMMITTEE

2009 SEVENTY-EIGHTH ACCOUNTING YEAR OF THE CENTRAL BANK OF THE REPUBLIC OF TURKEY
REPORT OF THE AUDITING COMMITTEE

The Auditing Committee has thoroughly examined the activities and the resulting statements of the 2009 Accounting Year of the Central Bank of the Republic of Turkey within the framework of the provisions of the related legislation, and concluded that:
1. The cash, gold holdings, foreign exchange banknotes and securities in the service and reserve vaults of the Head Office and Branches, which were inspected at random, are in conformity with the records as well as the legal books, and these values are kept and administered in accordance with the regulations,

2. The legal books and the books related to the Bank's accounts that are subject to declaration are in good order and in conformity with the Central Bank Law and the Articles of Association; furthermore, the domestic loans extended by the Bank, either directly or indirectly, are within the limits set forth,

3. The Balance Sheet compiled as of December 31, 2009 and "the Profit and Loss Statement" created for the period between 01/01/2009 and 31/12/2009 are in compliance with the systematic principles of accounting and the rules of assessment stipulated by the Turkish Commercial Code, the Central Bank Law and the Tax Laws,

4. Financial Tables present the financial situation of the Central Bank of the Republic of Turkey as of December 31, 2009 and the results of the activities relating to the year ended on the same date in accurate, correct and clear manner pursuant to the Legislation in force in Turkey and the Central Bank Law,

5. A lawsuit regarding the legal liability, which was filed by the Bank, is in the appeal process.

In conclusion, we hereby submit the Balance Sheet of 31 December 2009 and the Profit and Loss Statement for the approval of the General Assembly.

Ankara, 18/03/2010

Auditing Committee Member
Mustafa Saim UYSAL

Auditing Committee Member
Abdullah YALÇIN

Auditing Committee Member
Mehmet TÜFEKÇİ

Auditing Committee Member
Prof.Dr. Ekrem YILDIZ

4.4.3. INDEPENDENT AUDIT REPORT DRAWN UP IN COMPLIANCE WITH THE CENTRAL BANK LAW AND RELATED LEGISLATION

To the Central Bank of the Republic of Turkey

1. We have audited the accompanying financial statements of the Central Bank of the Republic of Turkey (the "Bank"), which comprise the balance sheet as of 31 December 2009 and the income statement, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

2. The Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Central Bank of the Republic of Turkey (the "Central Bank Law") and related legislation. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Central Bank of the Republic of Turkey as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with Central Bank Law and related legislation.

Without qualifying our opinion, we draw attention to the following matter:

5. As explained in Note I.B.3, the effects of differences between accounting principles and standards set out by the related legislation in Turkey and Central Bank Law, and accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Zeynep Uras, SMMM
Istanbul, 26 February 2010

4.4.4. INDEPENDENT AUDIT REPORT DRAWN UP IN COMPLIANCE WITH THE IFRS

To the Central Bank of the Republic of Turkey

1. We have audited the accompanying financial statements of the Central Bank of the Republic of Turkey (the "Bank") which comprise the balance sheet as of 31 December 2009 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

2. The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Central Bank of the Republic of Turkey as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

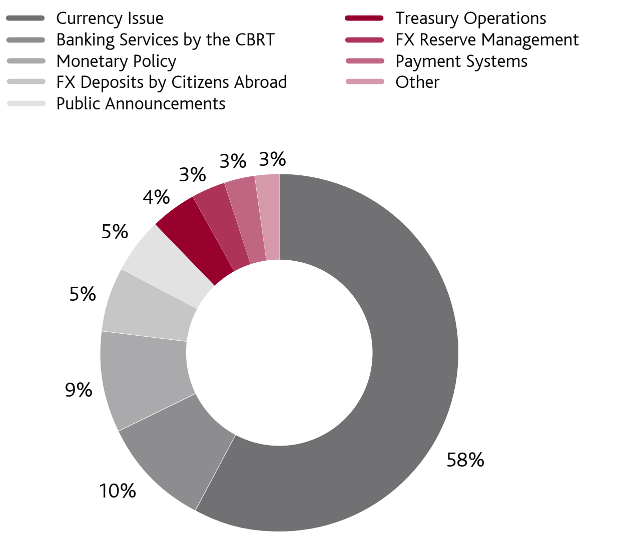
Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Zeynep Uras, SMMM
Istanbul, 8 March 2010

4.5. ACTIVITY BASED COST ACCOUNTING AT THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

By analyzing the Bank's expenditures in 2009 according to activity based cost accounting data, it can be seen that currency issue activity at 58 percent was ranked first among the share of 11 primary activities in the total general cost. The share of the other activities are as follows: Banking services supplied by the Bank 10 percent, monetary policy 9 percent, foreign exchange deposits by citizens abroad and public announcements 5 percent, treasury operations 4 percent, management of foreign exchange reserves and payment systems 3 percent.

Chart 34 / Distribution of Primary Activities



Source: CBRT

4.6. TURKEY-IMF MONETARY RELATIONS

Turkey has been a member of the IMF since 1947. The Undersecretariat of the Treasury has been designated as the fiscal agent and the Bank as the depository institution as regards the IMF.

Within this framework, the Treasury, as a fiscal agent, has the authority to carry out all operations and transactions on behalf of Turkey, such as the purchase and repurchase of SDR as well as payments of charges and other payments payable to the IMF. As a depository, it is the Bank's responsibility to ensure that these transactions are properly reflected in TL-denominated No.1 and No.2 Accounts and the Securities Account of the IMF with the Bank.

Turkey's quota in the IMF represents its capital subscription and amounts to SDR 1,191.3 million as of 31 December 2009. SDR 112.775 million of the quota is Turkey's reserve tranche position, which is paid in cash as foreign exchange.

The Bank's liability to the IMF has no balance since December 31, 2005. While the direct use of credit by the Treasury from the IMF was SDR 5,534 million as of the end of 2008, it decreased to SDR 5,076 million due to the redemption of SDR 458 million. The details of the resources provided by the Fund in 2008 and 2009 are presented below:

(SDR)	2008	2009
Use of Credit	5,534,350,937	5,076,335,686
Direct use of credit by the Treasury	5,534,350,937	5,076,335,686

As of December 31, 2009, the IMF's holdings of Turkish Lira amount to TL 14,756 million, equivalent of SDR 6,155 million, converted at the rate of TL/SDR parity determined by the IMF on April 30, 2009.

	TL	SDR
Number 1 account	7,140,358	2,978,250
Number 2 account	8,021	3,346
Securities account	14,749,143,339	6,151,882,436
	14,756,291,718	**6,154,864,032**

4.6. TURKEY-IMF MONETARY RELATIONS

The No.1 and No.2 accounts of the IMF are presented in Deposits as International Institutions in the liabilities of the Bank's balance sheet. The securities account is kept on the off-balance sheet and includes non-negotiable, non-interest bearing securities issued by the Treasury in favor of the IMF, which are payable on demand. These securities are issued for that portion of the quota liability paid in domestic currency, for purchases of SDR, for budget financing purposes, and for the revaluations made by the IMF every year as of April 30. Based on the Memorandum of Understanding signed between the Bank and the Treasury on May 6, 2002, in order to clarify the relationships between Turkey and the IMF, the revaluation differences arising from the changes in the TL/SDR parity are reflected by the Bank, at the end of each month, in the Fund's No.1 and No.2 accounts by either meeting from or transferring to the Revaluation Account, which shows the revaluation differences in accordance with Bank Law Article 61. Within the framework of the relations between Turkey and the IMF,

•Turkey incurs charges on the outstanding purchases, payable quarterly.
•The IMF pays remuneration, after the close of each of the IMF's financial quarters, on Turkey's remunerated reserve tranche position.
•Turkey incurs charges on the difference between the SDR holdings and the SDR allocation.

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