

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

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
31 DECEMBER 2002 AND 2001

To The Central Bank of
The Republic of Turkey
Ankara

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

INDEPENDENT AUDITORS' REPORT

1. We have audited the accompanying balance sheets of the Central Bank of the Republic of Turkey A.Ş. (the "Bank") as of 31 December 2002 and 2001, and the related statements of income, shareholders' equity and cash flows for the years then ended, all expressed in the equivalent purchasing power of Turkish Lira as at 31 December 2002. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.
2. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.
3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as at 31 December 2002 and 2001 and the results of its operations and its cash flows for the years then ended, in conformity with International Financial Reporting Standards.

DRT DENETİM REVİZYON TASDİK
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

Member Firm of **DELOITTE TOUCHE TOHMATSU**

Derya ÖZALP

Ankara, 6 March 2003

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEETS
AS AT 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

<u>ASSETS</u>	Not e	2002	2001	Convenienc e Translation	Convenienc e Translation
		TL Billion	TL Billion	2002 USD Million	2001 USD Million
Cash and amounts due from banks	4	1,997,124	3,187,897	1,222	1,950
Gold reserves	5	2,149,367	1,998,090	1,315	1,222
Placements with banks & financial institutions	6	4,584,625	9,823,077	2,804	6,010
Trading securities	7	70,606,732	80,174,902	43,198	49,051
Receivable from Turkish Treasury	20	-	230,346	-	141
Loans (net)	8	712,269	2,299,556	436	1,407
Available for sale investments	9	7,819	7,475	5	5
Premises & equipment (net)	10	132,536	148,439	81	91
Sundry debtors & other assets		199,424	85,822	122	53
TOTAL ASSETS		<u>80,389,896</u>	<u>97,955,604</u>	<u>49,183</u>	<u>59,930</u>

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BALANCE SHEETS
AS AT 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

				Convenience Translation	Convenience Translation
<u>LIABILITIES</u>	<u>Not e</u>	2002 TL Billion	2001 TL Billion	2002 USD Million	2001 USD Million
Currency in circulation	11	7,635,622	6,911,828	4,672	4,229
Liabilities to Turkish Treasury	20	106,993	-	65	-
Due to banks & other financial institutions	12	21,385,301	25,326,805	13,084	15,495
Deposits by citizens abroad	13	25,347,507	22,691,554	15,508	13,883
Deposits by public sector		4,228,155	3,532,214	2,586	2,160
Deposits by other institutions		1,746,853	1,650,348	1,069	1,010
Liabilities for securities sold under repurchase agreements		2,075,937	1,384,889	1,270	847
Liabilities to International Monetary Fund	14	13,266,836	27,038,849	8,117	16,543
Corporate tax liability	18	-	460,876	-	282
Provisions	15	42,019	23,839	26	15
Sundry creditors & other liabilities		791,023	766,324	484	469
Deferred tax liability (net)	18	356,767	181,926	218	111
TOTAL LIABILITIES		<u>76,983,013</u>	<u>89,969,452</u>	<u>47,099</u>	<u>55,044</u>
<u>SHAREHOLDERS' EQUITY</u>					
Share capital	16	35,645	35,645	22	22
Reserves		5,759,205	3,280,904	3,523	2,007
Accumulated profit/(loss)		(2,387,967)	4,669,603	(1,461)	2,857
TOTAL SHAREHOLDERS' EQUITY		<u>3,406,883</u>	<u>7,986,152</u>	<u>2,084</u>	<u>4,886</u>

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEETS AS AT 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>80,389,896</u>	<u>97,955,604</u>	<u>49,183</u>	<u>59,930</u>
COMMITMENTS AND CONTINGENCIES	21	153,420,23 1	146,003,32 4	93,864	89,326

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

	<u>Not</u>	2002	2001	Convenience Translation	Convenience Translation
	<u>e</u>	TL Billion	TL Billion	2002 USD Million	2001 USD Million
<u>INTEREST INCOME</u>					
Interest income from bank placements		1,268,780	2,497,638	776	1,528
Interest income from marketable securities		5,302,032	8,955,826	3,244	5,479
Interest income from loans		76,151	208,508	47	128
Other interest income		81,981	142,661	50	87
		<u>6,728,944</u>	<u>11,804,633</u>	<u>4,117</u>	<u>7,222</u>
<u>INTEREST EXPENSE</u>					
Interest expense on deposits by citizens abroad		(2,217,755)	(3,461,866)	(1,357)	(2,118)
Interest expense on other deposits		(4,768,135)	(4,441,312)	(2,917)	(2,717)
Other interest expense		(135,324)	(39,931)	(83)	(24)
		<u>(7,121,214)</u>	<u>(7,943,109)</u>	<u>(4,357)</u>	<u>(4,859)</u>
NET INTEREST INCOME/(EXPENSE)		<u>(392,270)</u>	<u>3,861,524</u>	<u>(240)</u>	<u>2,363</u>
<u>NON-INTEREST INCOME</u>					
Income from open market operations		1,884,690	12,336,454	1,153	7,548
Foreign exchange gains (net)		1,672,355	-	1,023	-
Commissions and income from services		27,673	39,556	17	24
Dividend received		4,544	5,111	3	3
		<u>3,589,262</u>	<u>12,381,121</u>	<u>2,196</u>	<u>7,575</u>
<u>NON- INTEREST EXPENSE</u>					
Expense from open market operations		(1,121,162)	(3,119,083)	(686)	(1,908)
Foreign exchange losses (net)		-	(579,982)	-	(355)
Commission expense		(244,537)	(521,173)	(150)	(319)
Other non-interest expense		(274,747)	(110,991)	(168)	(68)
		<u>(1,640,446)</u>	<u>(4,331,229)</u>	<u>(1,004)</u>	<u>(2,650)</u>
GENERAL ADMINISTRATIVE EXPENSE	17	(677,525)	(2,276,066)	(415)	(1,393)
INCOME BEFORE MONETARY LOSS & TAXATION		<u>879,021</u>	<u>9,635,350</u>	<u>537</u>	<u>5,895</u>
LOSS ON NET MONETARY POSITION		(1,363,710)	(2,151,843)	(834)	(1,317)

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(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

INCOME/(LOSS) BEFORE TAXATION	<u>(484,689)</u>	<u>7,483,507</u>	<u>(297)</u>	<u>4,578</u>
TAXATION	(247,023)	(2,091,148)	(151)	(1,279)
NET INCOME/(LOSS)	<u>(731,712)</u>	<u>5,392,359</u>	<u>(448)</u>	<u>3,299</u>

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

	Share Capital <u>TL Billion</u>	Reserves <u>TL Billion</u>	Accumulated Profit <u>TL Billion</u>	Total <u>TL Billion</u>
At 1 January 2001	35,645	2,595,181	847,654	3,478,480
Transfers to reserves	-	685,723	(685,723)	-
Dividends paid	-	-	(884,687)	(884,687)
Income for the year	-	-	5,392,359	5,392,359
At 31 December 2001	<u>35,645</u>	<u>3,280,904</u>	<u>4,669,603</u>	<u>7,986,152</u>
Transfers to reserves	-	2,478,301	(2,478,301)	-
Dividends paid	-	-	(3,847,557)	(3,847,557)
Loss for the year	-	-	(731,712)	(731,712)
At 31 December 2002	<u><u>35,645</u></u>	<u><u>5,759,205</u></u>	<u><u>(2,387,967)</u></u>	<u><u>3,406,883</u></u>

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

	2002 TL Billion	2001 TL Billion
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss) for the year	(731,712)	5,392,359
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	20,392	21,890
Retirement pay provision	7,687	6,723
Provisions for loan losses	321,453	1,937,129
CHANGES IN OPERATING ASSETS/LIABILITIES		
Gold reserves	(151,277)	(284,534)
Marketable securities	9,568,170	(35,194,030)
Placements with banks	5,238,452	(2,534,967)
Loans	1,265,834	(2,652,607)
Other assets	(113,603)	(44,784)
Other liabilities	35,193	(224,040)
Currency in circularization	723,794	(2,395,369)
Due to banks	(3,941,504)	7,685,437
Deposits	4,139,447	6,052,789
Corporate tax	(460,876)	418,307
Deferred tax	174,841	(190,967)
NET CASH FROM /USED IN OPERATING ACTIVITIES	<u>16,096,291</u>	<u>(22,006,664)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in equity participations	(344)	(747)
Additions to tangible fixed assets (net)	(4,490)	(12,604)
NET CASH USED IN INVESTMENT ACTIVITIES	<u>(4,834)</u>	<u>(13,351)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receivables of Treasury	337,340	(294,163)
Liabilities to International Monetary Fund	(13,772,013)	20,085,623
Dividends paid	(3,847,557)	(884,687)
NET CASH USED IN/PROVIDED FROM FINANCING ACTIVITIES	<u>(17,282,230)</u>	<u>18,906,773</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,190,773)	(3,113,242)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,187,897	6,301,139
CASH AND CASH EQUIVALENTS		

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001**

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

AT THE END OF THE YEAR

<u>1,997,124</u>	<u>3,187,897</u>
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1. ACTIVITIES OF THE BANK

With the exclusive privilege of issuing banknotes in Turkey, the Central Bank of the Republic of Turkey A.Ş. (the “Bank”) was established, with the Law on the Central Bank of the Republic of Turkey No: 1715 which was enacted on June 11, 1930, on October 3, 1931 as a joint stock company and opened officially on January 1, 1932. With the Law No: 1211, which was enacted on January 26, 1970, the duties and responsibilities of the Central Bank of the Republic of Turkey were redefined according to the recent economic conditions. According to the changes made in the Central Bank Law number 4651 on 25 April 2001, the primary objective of the Bank is determined as to achieve and maintain price stability. The Head Office of the Bank is located in Ankara. The Bank now operates a nationwide network of 21 branches, 4 foreign representatives and 1 liaison office abroad. The number of personnel as at 31 December 2002 is 5,463.

2. BASIS OF FINANCIAL STATEMENTS

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

Basis of Presentation of Financial Statements

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

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

Inflation Accounting

In the accompanying financial statements, restatement adjustments have been made to compensate for the effect of changes in the general purchasing power of the

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

Turkish Lira, as of the balance sheet date, in accordance with International Accounting Standard No. 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29").

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STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

2. BASIS OF FINANCIAL STATEMENTS (cont'd)

Inflation Accounting (cont'd)

IAS 29 became applicable to financial statements in 1990. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. Such cumulative rate in Turkey exceeded 227 % for the three years ended 31 December 2002, based on the wholesale price index announced by the Turkish State Institute of Statistics. IAS 29 requires that financial statements be stated in terms of the measuring unit current at the balance sheet date and corresponding figures for previous periods be restated in the same terms by applying a general price index. The restatement adjustments are based on the nationwide wholesale price index ("WPI") published by Turkish State Institute of Statistics (1994=100).

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

<u>Factor</u>	<u>Index</u>	<u>Conversion</u>
31 December 2000	2,626.0	2.467
31 December 2001	4,951.7	1.308
31 December 2002	6,478.8	1.000

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

<u>Year:</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Currency Devaluation against US \$	13.5%	114.3%	24.4%	72.7%	52.7%
WPI Inflation	30.8%	88.5%	32.7%	62.9%	54.3%

In the accompanying financial statements figures are presented in TL Billion. At the year end exchange rate TL 1 billion corresponds to US \$ 611.81.

The principal adjustments related with inflation accounting are as follows :

- All amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index (the WPI). Corresponding figures for previous periods are similarly restated.

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(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money.

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STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

2. BASIS OF FINANCIAL STATEMENTS (cont'd)

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Accounting Convention

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

3.2 Income and Expense Recognition

Interest and other income and expenses are recognized on the accrual basis. All income and expense items are restated in equivalent purchasing power at the balance sheet date.

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(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Foreign Currency Items

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

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

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

3.4 Convenience Translation of Financial Statements

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

3.5 Gold Reserves

Gold is valued at the market value based on the prices quoted on the London stock-exchange as of 31 December 2002 and on the basis of the equality of 1 ounce = 31.1035 grams.

3.6 Trading Securities

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

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

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STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Trading Securities (cont'd)

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

Income on purchases of securities under agreements of resale ("reverse repo") arranged with other banks in Turkey is accrued on a straight-line basis over the period to maturity.

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

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

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

Securities held for trading:

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

Securities available for sale:

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

3.7 Premises and Equipment

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

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

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**STATEMENTS OF CASH FLOWS
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STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Impairment

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

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

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

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

3.9 Provision for Employee Termination Benefits

Under Turkish legislation as supplemented by union agreements, lump sum payments are made to all employees who retire or whose employment is terminated without due cause. A provision is maintained for the estimated present value of the accrued obligation to employees for such payments, in respect of their service up to the balance sheet date.

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

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

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3.10 Related Parties

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

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STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Taxation and Deferred Taxes

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

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

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

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

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

3.12 Securities Under Resale or Repurchase Transactions

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

3.13 Use of Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that

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STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))
affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.14 Fair Values of Financial Instruments

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

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

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

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

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

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

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

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Initial application of IAS 39

IAS 39 is applicable for the first time to financial statements for periods beginning on or after 1 January 2001. Since the effect of IAS 39 application is not material for the Bank, no adjustment has been made to opening balances in the accompanying financial statements.

3.16 Risk Management

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

Liquidity risk

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

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

Credit risk

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

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.16 Risk Management (cont'd)

Market risk

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

Operational risk

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

3.17 Offsetting

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

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4. CASH AND AMOUNTS DUE FROM BANKS

	2002	2001
	TL Billion	TL Billion
Cash balances – Foreign currencies (“FC”)	1,057,391	2,035,101
Cash balances – Turkish Lira (“TL”) – Coins	8,606	2,359
Nostro and current accounts with other banks	931,127	1,150,437
	<u>1,997,124</u>	<u>3,187,897</u>

5. GOLD RESERVES

	2002	2001	2002	2001
	TL Billion	TL Billion	Troy Ounces	Troy Ounces
Gold bullion in standard form	2,091,220	1,944,036	3,732,819	3,732,819
Gold in other forms	58,147	54,054	103,792	103,792
	<u>2,149,367</u>	<u>1,998,090</u>	<u>3,836,611</u>	<u>3,836,611</u>

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

TL 6,224 Billion of gold in other forms is kept in the Bank on behalf of the Turkish Treasury (31 December 2001: TL 5,786 Billion).

6. PLACEMENTS WITH BANKS & FINANCIAL INSTITUTIONS

	2002	2001
	TL Billion	TL Billion
Time deposits	1,891,923	4,283,023
Interbank transactions-FC	2,689,095	4,929,326
Interbank transactions-TL	1,100	597,677
Accrued interest	2,507	13,051
	<u>4,584,625</u>	<u>9,823,077</u>

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

Time deposits are presented below:

<u>December 2002</u>	<u>Term</u>	<u>Interest Rate</u>
9,238 USD	January 2003 – 06 January 2003	- % 1.17
10,000 EURO	January 2003 – 07 January 2003	- % 3.26
<u>December 2001</u>		
10,000 USD	January 2002	- % 1.74
100,000 EURO	January 2002 – 04 January 2002	- % 3.80

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

7. TRADING SECURITIES

	2002	2001
	TL Billion	TL Billion
Foreign government bonds & treasury bills	39,684,637	27,918,091
Turkish Government bond & treasury bills	28,842,558	43,701,287
Securities held due to repo transactions (reverse repo)	-	7,097,673
Securities sold with agreements to repurchase (repo)	2,070,500	1,377,744
Accrued interest	9,037	80,107
	<u>70,606,732</u>	<u>80,174,902</u>
Due within one month	5,261,243	11,549,709
Due within one-three months	6,078,528	14,991,981
Due within one year	26,430,479	9,893,111
Due within one-five years	13,754,328	18,448,192
Due over five years	19,082,153	25,291,909
	<u>70,606,732</u>	<u>80,174,902</u>

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

The portfolio is held mainly to enable the Bank to provide price stability in the market.

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7. TRADING SECURITIES (cont'd)

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

Foreign Currency	Maturity	2001	2000
		Nominal Value	Nominal Value
USD	< 1 month	1,350,000,000 USD	755,000,000 USD
	< 3 month	1,300,000,000 USD	2,826,500,000 USD
	< 1 year	9,618,400,000 USD	1,661,000,000 USD
	< 5 year	102,600,000 USD	1,086,200,000 USD
	> 5 year	161,800,000 USD	-
			<u>12,532,800,000 USD</u>
EURO	< 1 month	1,779,258,376 EURO	1,241,064,594 EURO
	< 3 month	2,315,750,000 EURO	1,492,203,350 EURO
	< 1 month	6,180,865,129 EURO	3,929,725,128 EURO
	< 5 year	587,000,000 EURO	2,178,333,505 EURO
	> 5 year	200,500,000 EURO	-
			<u>11,063,373,505 EURO</u>
SDR	< 3 month	-	2,959,000,000 SDR
	< 5 year	4,352,525,000 SDR	4,625,579,154 SDR
		<u>4,352,525,000 SDR</u>	<u>7,584,579,154 SDR</u>
TL	< 1 month	-	21,417,336 Billion TL
	< 3 month	-	101,971 Billion TL
	< 1 year	-	75,060 Billion TL
	< 5 year	2,399,063 TL Billion	1,308,399 Billion TL
	> 5 year	16,028,024 TL Billion	23,260,751 Billion TL
			<u>18,427,087 TL Billion</u>

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8. LOANS (NET)

	2002 <u>TL Billion</u>	2001 <u>TL Billion</u>
Domestic loans	439,398	1,895,723
Foreign loans	251,626	344,396
Overdue loans	2,054,166	2,326,165
	<u>2,745,190</u>	<u>4,566,284</u>
Accrued interest	21,245	59,437
Total Loans	<u>2,766,435</u>	<u>4,625,721</u>
Less: Provisions	(2,054,166)	(2,326,165)
Total loans (net)	<u>712,269</u>	<u>2,299,556</u>

9. AVAILABLE FOR SALE INVESTMENTS

The Bank's participations are as follows as of 31 December 2002:

Investee	Ownership %	2002 <u>TL Billion</u>	2001 <u>TL Billion</u>
S.W.I.F.T	0.02	16	16
Bank for International Settlements-BASEL	1	7,803	7,459
		<u>7,819</u>	<u>7,475</u>

10. PREMISES AND EQUIPMENT (NET)

	2002 <u>TL Billion</u>	2001 <u>TL Billion</u>
Land	18,697	18,697
Buildings (net)	85,950	87,926
Immovables (net)	27,889	41,816
Premises and equipment (net)	<u>132,536</u>	<u>148,439</u>

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11. CURRENCY IN CIRCULATION

	2002	2001
	TL Billion	TL Billion
Balance at 1 January	6,911,828	9,307,197
Inflation effect of carrying opening balances	(1,629,168)	(4,371,376)
Banknotes issued into circulation	44,878,058	44,156,458
Banknotes withdrawn from circulation and destroyed	(42,525,096)	(42,180,451)
Balance at 31 December	<u>7,635,622</u>	<u>6,911,828</u>

12. DUE TO BANKS & OTHER FINANCIAL INSTITUTIONS

	2002	2001
	TL Billion	TL Billion
Compulsory reserve deposits from banks and private financial institutions	9,116,657	10,399,962
Current accounts of banks	4,393,691	6,689,673
Deposits of banks	7,503,900	8,042,860
Deposits of foreign banks	106,881	132,189
Other accounts	951	1,564
Accrued interest	263,221	60,557
	<u>21,385,301</u>	<u>25,326,805</u>

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

13. DEPOSITS BY CITIZENS ABROAD

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

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

<u>Foreign Currency Type</u>	<u>Foreign Currency Balance</u>	31 December 2002 TL Billion
EUR	12,278,610,934	20,916,331
USD	1,202,396,600	1,965,318
CHF	124,489,137	145,606

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Other	14,081
Accrued interest	2,306,171
	<hr/>
	25,347,507
	<hr/>

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13. DEPOSITS BY CITIZENS ABROAD (cont'd)

<u>Foreign Currency Type</u>	<u>Foreign Currency Balance</u>	31 December 2001 TL Billion
DEM	11,215,422,694	18,608,635
USD	850,289,393	1,601,544
NLG	120,602,922	134,836
Other		9,902
Accrued interest		2,336,637
		<u>22,691,554</u>

Maturities vary between one to three years. Interest rates for USD and EUR(DEM) with one year and two years maturity are 4% and 5%, respectively (31 December 2000: 7% and 9.5%). For deposit accounts having higher balances, interest rates become 8%, 9% and 10% and maturities are one to three years.

14. LIABILITIES TO INTERNATIONAL MONETARY FUND

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

Turkey has purchases from the General Resource Account of the IMF, based on Stand By Arrangements signed as of December 1999, 2000 and 2002. Stand-by arrangements support short-term balance of payments needs within a given period, such as one to two years. Turkey's purchases include a Supplemental Reserve Facility, short term financing in excess of the above normal access limits for those members experiencing severe balance of payments difficulties arising from a sudden loss of market confidence. General Resource Account borrowings are determined by the IMF based on the quota of the debtor country. Turkey's quota is 964,000,000 SDR, last updated in 1999.

The borrowings from the International Monetary Fund (IMF) are denominated in Special Drawing Rights (SDR), an international reserve asset created by the IMF in 1969.

<u>Borrowings from general resources of IMF</u>	31 December 2002 SDR	31 December 2001 SDR
Stand-by arrangements	5,954,960,000	5,954,960,000
Supplementary reserve facility	-	4,916,400,000
Credit tranche - earthquake aid	-	361,500,000

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<u>5,954,960,000</u>	<u>11,232,860,000</u>
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According to IMF arrangements, the TL equivalent of the granted SDR amount is recorded in the balance sheet of the Bank as a liability. As of the year end, the TL liability is adjusted for SDR currency rate changes. The TL liability to the IMF is TL 13,186,412 Billion as at 31 December 2002.

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

Credit tranche- Earthquake Aid equivalent of 361,500,000 SDR, used by the Treasury in the year 2000, has been classified as consumption made for the purposes of Budget Financing, and has been added to liabilities to the IMF by a protocol signed with the Treasury dated 6 May 2002.

<u>Borrowings from SDR department</u>	31 December 2002	31 December 2001
	SDR	SDR
Net cumulative allocation	112,307,000	112,307,000
SDR holdings	(23,010,542)	(3,562,693)
	<u>89,296,458</u>	<u>108,744,307</u>

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

In the year 2001, 7,584,579,154 SDR of IMF borrowings were lent to the Treasury against securities issued by the Treasury with coupon payment dates, maturities and interest rates the same as the IMF charge payments. The payable is presented in the liability side of the balance sheet as "Liabilities to International Monetary Fund" while securities are followed in the "Trading Securities" in assets. In February and May 2002, the Treasury has redeemed 2,959,919,154 SDR and 272,135,000 SDR of the securities respectively. As of 31 December 2002, the balance of this account is 4,352,525,000 SDR.

Turkey's IMF borrowings were presented in the Bank's financial statements until February 2002. Thereafter, 2002 borrowings were transferred directly to the Turkish Government Treasury. Accordingly, subsequent period borrowings are not presented in the Bank's financial statements. Meanwhile, a borrowing of 7,326,400,000 SDR as of February 2002 and borrowings of 867,600,000 SDR for each month of April, July and August 2002 were transferred to the Treasury by the IMF. As of February 2002, the outstanding Supplementary Reserve Facility of 4,916,400,000 SDR has been paid in total by Turkey. 2,959,919,154 SDR has been paid by the Treasury, and the remaining balance of 1,956,480,846 SDR has been paid by the Bank.

36,145,183 SDR (TL 80,424 Billion) charge expense and 206,226 SDR (TL 459 Billion) remuneration income is accrued as of 31 December 2002.

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15. PROVISIONS

	2002	2001
	<u>TL Billion</u>	<u>TL Billion</u>
Retirement pay provision	23,698	20,950
Other	18,321	2,889
	<u>42,019</u>	<u>23,839</u>

Retirement Pay Provision:

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

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

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

16. SHARE CAPITAL

<u>Shareholders</u>	2002		2001	
	TL Billion	%	TL Billion	%
Turkish Treasury	14	55	14	55
T.C. Ziraat Bankası A.Ş.	5	19	5	19
Other	6	26	6	26
	<u>25</u>	<u>100</u>	<u>25</u>	<u>100</u>
Effect of inflation	35,620		35,620	
	<u>35,645</u>		<u>35,645</u>	

According to 5th article of the Central Bank Law, the capital of the bank is TL 25 billion and is divided into 250,000 shares, with a value of TL 100,000 each. The capital may be increased with the approval of the Government. The shares are divided into (A), (B), (C), and (D) shares. The (A) group shares 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.

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17. GENERAL ADMINISTRATIVE EXPENSE

	2002	2001
	TL Billion	TL Billion
Payroll expense	237,066	238,647
Provisions	321,453	1,937,129
Banknote printing expense	42,517	41,394
Depreciation expense	20,392	21,890
Other	56,097	37,007
	<u>677,525</u>	<u>2,276,066</u>

18. TAXATION

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

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

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

a) Balance sheet:

	2002	2001
	<u>TL Billion</u>	<u>TL Billion</u>
Corporate tax	29,301	2,106,976
Prepaid taxes	(29,301)	(1,646,100)
	<u>-</u>	<u>460,876</u>
Deferred tax asset	(21,611)	(3,183,020)
Deferred tax liability	378,378	3,364,946
	<u>356,767</u>	<u>181,926</u>

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18. TAXATION (cont'd)

b)Income statement

	2002 <u>TL Billion</u>	2001 <u>TL Billion</u>
Corporate tax charge	29,301	2,106,976
Deferred tax charge (benefit)	217,722	(15,828)
	<u>247,023</u>	<u>2,091,148</u>

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

	2002 <u>TL Billion</u>	2001 <u>TL Billion</u>
Fixed assets indexation	(13,791)	(272)
Retirement pay provision	(7,820)	(3,632)
Revaluation of liabilities to IMF	-	(3,179,116)
Revaluation of loans granted	-	294,735
Transfer of valuation account to income statement	378,378	3,070,211
Market value adjustment of foreign securities	-	-
Net deferred tax (assets) / liabilities	<u>356,767</u>	<u>181,926</u>

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19. MATURITY ANALYSIS OF THE BALANCE SHEET

Maturities of assets and liabilities as at 31 December 2002:

	Demand <u>TL Billion</u>	Up To 1 Month <u>TL Billion</u>	From 1 Month To 3 Months <u>TL Billion</u>	From 3 Months To 1 Year <u>TL Billion</u>	1 Year and More Than 1 Year <u>TL Billion</u>	Total <u>TL Billion</u>
ASSETS						
Cash and amounts due from banks	1,997,124					1,997,124
Gold reserves	2,149,367					2,149,367
Placements with banks & financial institutions		4,584,625				4,584,625
Trading securities		5,261,243	6,078,528	26,430,479	32,836,482	70,606,732
Receivable from Turkish Treasury						-
Loans (net)			467,820	28,422	216,027	712,269
Available for sale investments	7,819					7,819
Premises & equipment	132,536					132,536
Sundry debtors & other assets	6,571	3,963	5,259	148,097	35,534	199,424
Total	<u>4,293,417</u>	<u>9,849,831</u>	<u>6,551,607</u>	<u>26,606,998</u>	<u>33,088,043</u>	<u>80,389,896</u>
LIABILITIES						
Currency in circulation	7,635,622					7,635,622
Liabilities to Turkish Treasury	3,845	96,867			6,281	106,993
Due to banks & other financial institutions	951	21,384,350				21,385,301
Deposits by citizens abroad					25,347,507	25,347,507
Deposits by public sector	4,228,155					4,228,155
Deposits by other institutions		1,746,853				1,746,853
Liabilities for securities sold under repurchase agreements	2,075,937					2,075,937
Liabilities to International Monetary Fund					13,266,836	13,266,836
Corporate tax liability						-
Provisions	42,019					42,019
Sundry creditors & other liabilities	791,023					791,023
Deferred tax liability					356,767	356,767
Share capital	35,645					35,645
Reserves	5,759,205					5,759,205
Accumulated profit					(2,387,967)	(2,387,967)
Total	<u>20,572,402</u>	<u>23,228,070</u>	<u>-</u>	<u>-</u>	<u>36,589,424</u>	<u>80,389,896</u>

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

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

Maturities of assets and liabilities as at 31 December 2001:

	Demand TL Billion	Up To 1 Month TL Billion	From 1 Month To 3 Months TL Billion	From 3 Months To 1 Year TL Billion	1 Year and More Than 1 Year TL Billion	Total TL Billion
ASSETS						
Cash and amounts due from banks	3,187,897	-	-	-	-	3,187,897
Gold reserves	1,998,090					1,998,090
Placements with banks & financial institutions		9,823,077				9,823,077
Trading securities		11,549,709	14,991,981	9,893,111	43,740,101	80,174,902
Receivable from Turkish Treasury				230,346		230,346
Loans (net)	8,876	25,968	21,288	31,307	2,212,117	2,299,556
Available for sale investments	7,475					7,475
Premises & equipment	148,439					148,439
Sundry debtors & other assets	81,721	1,382		2,719		85,822
Total	5,432,498	21,400,136	15,013,269	10,157,483	45,952,218	97,955,604
LIABILITIES						
Currency in circulation	6,911,828					6,911,828
Liabilities to Turkish Treasury						
Due to banks & other financial institutions	1,564	25,325,241				25,326,805
Deposits by citizens abroad					22,691,554	22,691,554
Deposits by public sector	3,532,214					3,532,214
Deposits by other institutions		1,650,348				1,650,348
Liabilities for securities sold under repurchase agreements	1,384,889					1,384,889
Liabilities to International Monetary Fund					27,038,849	27,038,849
Corporate tax liability				460,876		460,876
Provisions	23,839					23,839
Sundry creditors & other liabilities	766,324					766,324
Deferred tax liability					181,926	181,926
Share capital	35,645					35,645
Reserves	3,280,904					3,280,904
Accumulated profit	-			4,669,603		4,669,603
Total	15,937,207	26,975,589		5,130,479	49,912,329	97,955,604

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

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(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

20. RELATED PARTY TRANSACTIONS AND BALANCES

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

	2002 <u>Billion TL</u>	2001 Billion TL
<u>Turkish Treasury</u>		
<u>Receivables</u>		
Securities portfolio		
Treasury Bills	21,175,166	26,930,281
Treasury Bills indexed to foreign currency	9,741,491	18,156,515
Gold reserve	6,224	5,786
Foreign currency differences of foreign debts	-	230,346
<u>Liabilities</u>		
Corporate tax netted off with prepaid temporary tax	(176,242)	460,876
Deposit	2,597,210	1,784,363
<u>Income</u>		
Income from open market operations	1,599,362	7,064,943
<u>Expenses</u>		
Special transaction tax and training support share	29	41

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(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

21. COMMITMENTS AND CONTINGENCIES

	2002 TL Billion	2001 TL Billion
Securities in custody	149,090,136	134,459,457
Securities held as collateral	4,330,095	11,543,867
	<u>153,420,231</u>	<u>146,003,324</u>

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

	2002 <u>TL Billion</u>	2001 TL Billion
Total foreign currency assets	58,945,296	64,038,329
Total foreign currency liabilities	(40,614,553)	(39,157,231)
Net foreign currency position	<u>18,330,743</u>	<u>24,881,098</u>