

**THE CENTRAL BANK OF THE
REPUBLIC OF TURKEY
FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2015
TOGETHER WITH AUDITOR'S REPORT**

**Convenience Translation of The
Independent Auditor's Report
and Financial Statements
Originally Issued In Turkish**

**CONVENIENCE TRANSLATION OF THE
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

To the Board of the Central Bank of the Republic of Turkey
Ankara

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 2015 and statement of profit or loss, 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.

The Bank Management's responsibility for the financial statements

The Bank 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 and related legislation(Note I.A.(2)), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 about 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 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 entity 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.

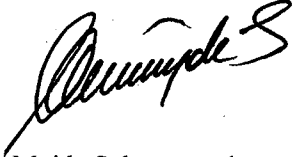
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Central Bank of the Republic of Turkey and related legislation (Note I. A. (2)).

Additional Paragraph for English Translation

The effect of the differences between the accounting principles summarized in Section I – A – (2) and the 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 and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank’s financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Müjde Şehsuvaroğlu

Partner

İstanbul, 19 February 2016

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEETS AS OF 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	Note (Section II)	Audited 31 December 2015	Audited 31 December 2014
1. GOLD RESERVES	1	51.191.476	47.307.178
1.1 International Standards		51.191.476	47.307.178
2. FOREIGN CURRENCY BANKNOTES		4.183.399	2.091.972
3.FOREIGN CORRESPONDENTS	2	265.541.844	245.424.135
3.1 Foreign Currency Securities		241.664.149	228.715.091
3.2 Deposit		19.711.938	12.811.106
3.3 Other		4.165.757	3.897.938
4. RESERVE TRANCHE POSITION	10	455.273	379.048
5. SECURITIES PORTFOLIO	3	8.957.518	9.217.474
5.1 Government Domestic Debt Securities		8.677.647	9.166.544
5.2 Other		279.871	50.930
6. RECEIVABLES DUE TO MONETARY POLICY OPERATIONS	3	95.475.070	46.454.162
6.1 Open Market Operations		89.537.798	46.254.099
6.2 Interbank Money Market Operations		5.937.272	200.063
7. DOMESTIC CORRESPONDENTS	4	-	-
8. LOANS	5	22.746.403	19.351.600
8.1 Domestic Loans		22.719.309	19.328.800
8.1.1 Discount Loans		22.719.309	19.328.800
8.1.2 Other Loans		-	-
8.2 Foreign Loans		27.094	22.800
9. EQUITY PARTICIPATIONS	6	753.092	628.430
10.TREASURY LIABILITIES DUE TO SDR ALLOCATION	10	4.324.958	3.600.846
11. FIXED ASSETS (Net)	7	674.044	649.458
12. LOANS UNDER LEGAL FOLLOW-UP (Net)	5	-	-
12.1 Loans Under Legal Follow-Up		4.458.845	3.549.661
12.2 Provision of Loans Under Legal Follow-Up (-)		(4.458.845)	(3.549.661)
13. DEFERRED TAX ASSETS	14	7.572	8.106
14. OTHER ASSETS	8	2.541.259	1.788.965
14.1 Gold Reserve in Non-International Standards	1	315.557	284.125
14.2 Coins		105.359	67.257
14.3 Income Accruals		36.022	31.750
14.4 Other		2.084.321	1.405.833
TOTAL ASSETS		456.851.908	376.901.374

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEETS AS OF 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	Note (Section II)	Audited 31 December 2015	Audited 31 December 2014
1. CURRENCY IN CIRCULATION	9	103.042.636	85.118.222
2. PAYABLES DUE TO MONETARY POLICY OPERATIONS	3	26.505	32.307
2.1 Open Market Operations		-	-
2.2 Interbank Money Market Operations		26.505	32.307
2.3 Liquidity Bills		-	-
3. DEPOSITS	11	283.679.871	241.493.452
3.1 Public Sector		28.633.963	22.973.521
3.1.1 Treasury, General and Annexed Budget Administrations		28.625.963	22.935.795
3.1.2 Other		8.000	37.726
3.2 Banking Sector		249.463.369	211.478.898
3.2.1 Domestic Banks		41.743.731	39.141.834
3.2.2 Foreign Banks		10.639	2.095
3.2.3 Reserve Requirements		207.708.761	172.334.420
3.2.3.1 Cash		168.046.466	135.407.993
3.2.3.2 Gold		39.662.295	36.926.427
3.2.4 Other		238	549
3.3 Other Deposits		5.582.539	7.041.033
3.3.1 Foreign Exchange Deposits By Citizens Abroad		3.900.911	5.846.583
3.3.2 International Institutions		13.721	55.944
3.3.3 Funds		210.833	256.166
3.3.4 Other		1.457.074	882.340
4. FOREIGN CORRESPONDENTS		1.088	868
5. RESERVE TRANCHE POSITION	10	455.273	379.048
6. SDR ALLOCATION	10	4.324.958	3.600.846
7. TAX LIABILITY	14	2.430.845	1.527.933
7.1 Taxes Payable		2.430.845	1.527.933
8. PROVISIONS	13	415.247	385.247
9. SHARE CAPITAL AND LEGAL RESERVES	12	13.775.612	10.947.817
9.1 Paid-in Share Capital		25	25
9.2 Adjustment to Paid-in Share Capital		46.209	46.209
9.3 Legal Reserves		13.729.378	10.901.583
10. VALUATION ACCOUNT	15	32.651.757	22.857.074
11. PROFIT FOR THE YEAR		13.857.322	8.641.642
12. OTHER LIABILITIES	16	2.190.794	1.916.918
12.1 Treasury Gold		34.316	30.898
12.2 Letter of Credits		1.093.229	938.770
12.3 Expense Accruals		3.224	3.199
12.4 Other		1.060.025	944.051
TOTAL LIABILITIES		456.851.908	376.901.374

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENT OF PROFIT OR LOSS

FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	Note	Audited 1 January - 31 December 2015	Audited 1 January - 31 December 2014
	(Section III)		
I - INTEREST INCOME	1	8.358.772	6.346.312
II - INTEREST EXPENSE	2	(1.997.385)	(1.009.529)
III - NET INTEREST INCOME / (EXPENSE)		6.361.387	5.336.783
IV - NET COMMISSION AND SERVICE INCOME		462.757	394.655
- Commission and Service Income		477.292	404.816
- Commission and Service Expenses		(14.535)	(10.161)
V - NON-INTEREST INCOME	3	12.729.698	7.425.505
VI - NON-INTEREST EXPENSES	4	(3.351.236)	(3.056.116)
VII- PROFIT BEFORE TAXATION {III+IV+V-VI}		16.202.606	10.100.827
	Section II		
VIII - TAXATION	Note 14	2.345.284	1.459.185
-Tax Provision		2.350.351	1.461.675
-Deferred Tax Income/(Expense)		(5.067)	(2.490)
IX - NET PROFIT FOR THE YEAR {VII-VIII}		13.857.322	8.641.642

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

OFF-BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	Audited 31 December 2015	Audited 31 December 2014
OFF - BALANCE SHEET COMMITMENTS		
A. Securities in Custody	91.664.440	102.668.964
1. Marketable Securities in Custody - Free (*)	73.879.974	87.231.733
2. Deal Securities (*)	179.550	170.010
3. Marketable Security Exchange Market Banks Guarantee Letters Depot	383.633	351.751
4. Government Debt Security Depot of Savings Deposits Insurance Fund, Exempt From Income Tax	15.715.301	13.410.303
5. Other (*)	1.505.982	1.505.167
B. Guarantees Received	29.351.340	26.573.356
1. Government Debt Security Depots of Banks under Foreign Exchange Market Guarantee (*)	699.900	1.667.203
2. Bonds as Interbank Money Market Operations Guarantee (*)	8.591.677	5.297.190
3. Government Debt Security Depots Accepted as Guarantee for Open Market Operations	10.395.994	10.586.844
4. Intermediary Institutions' Pledged Government Debt Security Depots	-	26.020
5. Other (*)	9.663.769	8.996.099
C. Obsolete and Reserve Banknotes	64.599.394	53.488.737
1. Reserve Banknotes - Head Office	18.943.382	9.820.562
2. Reserve Banknotes - Branches, Banknotes Depots and Other Units	45.153.068	43.191.499
3. Obsolete Banknotes - Head Office	163.859	224.481
4. Obsolete Banknotes - Branches	339.085	252.195
D. Other	336.745.590	302.226.686
1. Repurchase Agreements Pledged Account (*)	3.295.923	2.084.308
2. Bank Treasury Bonds Portfolio and Security Depots Received Through Repo Transactions	93.610.481	50.306.109
3. Customer Transactions Portfolio - Takasbank and MKK (*)	238.974.851	248.991.571
4. Branches' Marketable Security Portfolio in Electronic Security Fund Transfer System	54.761	54.761
5. BIST Members' Treasury Bond Depot	29.303	32.373
6. Other (*)	780.271	757.564
E. Unpublished Marketable Securities Depots in Electronic Marketable Security Transfer Recording	423.131.368	401.344.953
TOTAL (A+B+C+D+E)	945.492.132	886.302.696

(*) The balances presented in the Off Balance Sheet Commitments table consist of the total of TL, foreign currency and units of securities. TL and foreign currency securities presented in the total balances are expressed in terms of the original amount of currency over their nominal values; blank letter of credits, letter of credits that account owners entrust for maintenance, gold and silver medallions and badges of service award, banknote samples, specimen catalogues, cheques with unknown costs are expressed in terms of units.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	Share Capital	Capital Reserves Due to Inflation	Legal Reserves	Equity Participations Value Increase	Retirement Pay Actuarial Gains/(Losses) (*)	Retained Earnings/ (Accumulated Deficit) (*)	Net Profit For the Year	Total Shareholders' Equity
Balance at 1 January 2014	25	46.209	9.245.105	506.742	2.490	5.015.066	-	14.815.637
Fair Value Increase/(Decrease) in Equity Participations	-	-	-	36.238	-	-	-	36.238
Profit Distribution:								
Dividends	-	-	-	-	-	(3.369.679)	-	(3.369.679)
- Treasury	-	-	-	-	-	(3.362.239)	-	(3.362.239)
- Other Shareholders	-	-	-	-	-	(3)	-	(3)
- Employees	-	-	-	-	-	(7.437)	-	(7.437)
Transferred to Equity Reserves	-	-	1.656.478	-	-	(1.656.478)	-	-
Net Profit for the Year	-	-	-	-	-	-	8.641.642	8.641.642
Balance at 31 December 2014	25	46.209	10.901.583	542.980	2.490	(11.091)	8.641.642	20.123.838
Balance at 1 January 2015	25	46.209	10.901.583	542.980	2.490	8.630.551	-	20.123.838
Fair Value Increase/(Decrease) in Equity Participations	-	-	-	106.405	-	-	-	106.405
Profit Distribution:								
Dividends	-	-	-	-	-	(5.809.798)	-	(5.809.798)
- Treasury	-	-	-	-	-	(5.801.438)	-	(5.801.438)
- Other Shareholders	-	-	-	-	-	(3)	-	(3)
- Employees	-	-	-	-	-	(8.357)	-	(8.357)
Transferred to Equity Reserves	-	-	2.827.795	-	-	(2.827.795)	-	-
Net Profit for the Year	-	-	-	-	-	-	13.857.322	13.857.322
Balance at 31 December 2015	25	46.209	13.729.378	649.385	2.490	(7.042)	13.857.322	28.277.767

(*) Presented within other liabilities (Refer to Note II.16).

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

**PROFIT DISTRIBUTION TABLES FOR THE
YEARS ENDED 31 DECEMBER 2015 AND 2014**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	Audited 1 January - 31 December 2015 (*)	Audited 1 January - 31 December 2014(**)
A. DISTRIBUTION OF PROFIT FOR THE YEAR		
1. Profit for the year	16.202.606	10.100.827
2. Taxes Payable and Legal Liabilities	(2.345.284)	(1.459.185)
- Corporate Tax (Income Tax)	(2.350.351)	(1.461.675)
- Income Tax	-	-
- Other Taxes and Legal Liabilities	5.067	2.490
NET PROFIT FOR THE YEAR	13.857.322	8.641.642
3. Prior Year Losses	(7.042)	(11.091)
4. Legal Reserves	-	(2.827.795)
5. Other Legal Funds	-	-
DISTRIBUTABLE PROFIT FOR THE YEAR	-	-
6. Dividends to Shareholders	-	(3)
7. Dividends to Employees	-	(8.357)
DUE TO REPUBLIC OF TURKEY PRIME MINISTRY UNDERSECRETARIAT OF TREASURY ("TURKISH TREASURY") ACCORDING TO THE CENTRAL BANK LAW NO. 1211	-	(5.801.438)

(*) As of the date of these financial statements, the Board of the Bank has not declared its decision related to the distribution of the profit for the year 2015. However, the corporate tax was calculated based on the assumption that employees will be paid 1 month of salary as dividend. The profit appropriation of the Bank for the year 2015 will be decided based on the resolution of the General Assembly to be held on 11 April 2016.

(**) In accordance with the resolution of the General Assembly, dated 9 April 2015, the Bank allocated reserves according to Article 60 of the Banking Law, and the remaining amount was transferred to Turkish Treasury after distribution of dividends to shareholders and employees.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

**STATEMENT OF CASH FLOWS FOR THE
YEARS ENDED 31 DECEMBER 2015 AND 2014**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	Note (Section II, III, IV)	Audited 1 January – 31 December 2015	Audited 1 January – 31 December 2014
Cash flows (used in) / from operations			
Net profit/ (loss) for the year		13.857.322	8.641.642
Adjustments:			
Depreciation of fixed assets and amortization expenses	III, 4	29.525	30.592
Retirement pay provision	II,13	36.032	19.649
Net interest income		(6.361.387)	(5.336.783)
Dividend income	III, 3	(6.355)	(5.361)
Net commission income		(462.758)	(394.655)
Taxation income/expense	II,14	2.345.284	1.459.185
Increase/decrease in value of financial assets, net		729.891	(1.082.159)
(Profit) / loss resulting from fixed asset sales		3.383	(86)
Other		(894.923)	(270.970)
Cash flows from operating income before changes in operating assets and liabilities		9.276.014	3.061.054
Changes in operating assets and liabilities:			
Changes in gold reserves		(2.739.286)	(3.650.857)
Changes in marketable securities		34.257.336	(8.875.091)
Net change in loans and advances given		(1.424.510)	(5.182.340)
Net change in other assets		(677.821)	(671.335)
Net change in currency in circulation		17.924.414	10.303.632
Changes in liabilities due to money market operations		(5.801)	(176.200)
Net change in deposits		4.565.889	3.913.598
Net change in other liabilities		(5.318.199)	(49.475)
Taxes paid		(1.775.608)	(1.427.732)
Retirement payments made	II,13	(6.032)	(5.628)
Interest received		8.125.964	6.685.038
Interest paid		(2.102.343)	(866.618)
Commissions received, net		473.021	402.121
Commissions paid		(14.535)	(10.160)
Cash flows from / (used in) operations		60.558.503	3.450.007
Cash flows related to investments activities			
Fixed asset purchases		(57.494)	(39.558)
Cash generated from fixed asset sales		-	626
Dividend received	III,3	6.355	5.361
Cash flows used in investments activities		(51.139)	(33.571)
Cash flows related to financing activities			
Dividends paid		(5.809.798)	(3.369.679)
Net cash used in financing activities		(5.809.798)	(3.369.679)
Effect of changes in exchange rates on cash and cash equivalents		3.597.190	833.423
Changes in cash and cash equivalents		58.294.756	880.180
Cash and cash equivalents at the beginning of the year	IV,1	65.276.660	64.396.480
Cash and cash equivalents at the end of the year	IV,2	123.571.416	65.276.660

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

**NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2015**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE

A. Notes and explanations related to current year

(1) The financial statements of the Central Bank of the Republic of Turkey ("the Bank") as of 31 December 2015 have not yet been approved by the Board of the Bank.

(2) Detailed explanations of principal accounting policies applied by the Bank:

The basis of presentation of the financial statements and other accounting policies which are integral part of the accompanying financial statements are as follows:

i. Basis of Presentation of the Financial Statements

The Bank maintains its books of account and prepares its financial statements in accordance with the Turkish Commercial Code numbered 6102 and Tax Legislation and Law of the Central Bank of the Republic of Turkey numbered 1211 ("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. At the end of each calendar year, the Bank submits its balance sheet and income statement to the Prime Ministry along with the annual report prior to the General Assembly meeting and publishes the balance sheet in the Official Gazette.

ii. Accounting Principles

Significant accounting principles applied in the preparation of the financial statements are as follows:

a. Accounting of Income and Expenses

Interest income and expense that are calculated by using the effective interest rate method are accounted for on an accrual basis.

The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate a shorter period.

Commissions and service fees collected or paid due to the transaction of CBRT with the domestic and foreign banks, Treasury, public entities and various persons or entities are recognized as income or expense in the period in which they are paid or collected. Income or expense accruals are recognized for those which will be collected or paid in the subsequent period. Commission and service income and expenses are accounted for on an accrual basis or recognized as income and expenses in the income statement in the period in which they are paid or collected depending on their nature.

In accordance with the article 61 of the Central Bank Law amended with the Law No:6009 on 23 July 2010, in the event of a change in the value of the Turkish currency against the foreign currencies and a change in the gold prices in the international markets, the unrealized gains and losses arising from the revaluation of gold, foreign exchange and other assets and liabilities of the Bank those are originated in foreign currencies are classified into "Valuation Account" which is a transitory account on the balance sheet.

The Valuation Account is not considered as income and expense during computation of corporate tax base. Realized foreign exchange gains and losses from foreign currency sales and purchase transactions are reflected to the income statement at the date of transaction.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2015

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)

b. Foreign Currency Transactions

The Bank's foreign currency transactions are converted into Turkish Lira over the foreign exchange rates on the date of the transaction. During the preparation of the financial statements, the assets and liabilities in foreign currency accounts are converted into Turkish Lira based on the foreign exchange rates and effective buying rates as of the balance sheet date.

As described in article a. above, according to Article 61 of the Central Bank Law, unrealized foreign exchange gains and losses are presented in "Valuation Account". In case of realization such gains and losses are transferred to profit or loss accounts.

c. Gold Reserves

Gold reserves of the Bank consists of international standards of gold held in the Bank vault, in overseas banks and in Istanbul Stock Exchange ("BIST") and non-international standard of gold held in the Bank Vault. Gold reserves held abroad for the purpose of reserve management policy are kept in free depots. In addition, gold deposited by banks as the reserve requirement are deposited abroad or at BIST.

Gold is initially recorded with the prices prevailing at the date of acquisition and is valued with fair value in subsequent periods. Fair value is determined monthly based on the average of the gold price quoted at the London Bullion market exchange at 10:30 and 15:00 (2015: 1.062,25 US Dollars/2014: 1.199,25 US Dollars) on the basis of 1 ounce being equal to 31,1035 grams and presented on the balance sheet after being converted to Turkish Lira. Fair value changes of gold reserves both arising from changes in price and exchange rates are accounted for as unrealized gains or losses under "Valuation Account" in accordance with the Article 61 of the Central Bank Law.

As of the end of year 2015, gold rate used in the valuation is TL/ounce 3.089 (2014: TL/ounce 2.780).

d. Financial Instruments

Securities Portfolio

The securities portfolio consists of directly purchased government bonds and securities purchased under agreements to resell in order to regulate the money supply and liquidity in the economy in line with the monetary policy targets based on the 52nd article of the Central Bank Law related with the open market operations. The securities purchased by the Bank on its own account are measured at their fair values. The marketable security portfolio account represents the fair values of these securities. Valuation differences between cost and revalued amount are included in the "3.Foreign Correspondents/3.1 Foreign Currency Securities" and "5.Securities Portfolio" in the balance sheet.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2015

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)

d. Financial Instruments (Continued)

Securities Portfolio (Continued)

Fair value of the securities is determined with reference to quoted market prices in BIST; in case the quoted prices are not available fair value is determined using prices declared daily by the Bank and published in the Official Gazette. Foreign securities are valued with fair values determined with reference to quoted market prices in the international markets. Interest accrued during the holding of the securities, are shown as interest income.

Open Market Operations - Securities Purchased Under Agreements to Resell

The transactions of domestic currency securities purchased under agreements to resell are carried out by the Bank within the framework of open market operations.

Securities purchased under agreements to resell are accounted for as collateralized loans. Cash receivables originated from the transaction are classified as "6. Receivables Due to Monetary Policy Operations / 6.1 Open Market Operations" in the asset side where the securities received as collateral are classified under the off balance sheet accounts. Interest income is calculated on an accrual basis using the effective interest method at the end of each month. Interest income generated from the securities purchased under agreements to resell operations at maturity is recorded in the statement of profit or loss.

Open Market Operations - Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase are accounted for as collateralized deposits received by the Bank. Securities given as collateral are classified under "5. Securities Portfolio" in the asset side where the cash that will be paid at the maturity is classified under "2. Payables Due to Monetary Policy Operations / 2.1 Open Market Operations" in the liability side. Interest amount to be paid to the banks are accrued at the end of each month using effective interest method. Interest expense for the securities sold under agreements to repurchase operations at maturity is recorded in the statement of profit or loss.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2015

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)

d. Financial Instruments (Continued)

Loans and Provision for Losses

Loans granted by the Bank, are financial assets generated by lending money to the borrower. These loans are initially recorded as credit risk provision deducted from the cost. Loans and advances are reflected to the records by cash transfers by the debtor.

In case of objective evidence of payment of the amounts that cannot be charged, risk provision is created that is related to fair value of a credit. This amount of the provision is the difference between the carrying value of the loan and the recoverable amounts. The recoverable amount, the amounts recoverable from guarantees and collateral, including cash flows of loans based on the original effective interest rate is the present value discounted.

Provisions made during the period, are recorded in the income statement of the related period. When the date of legal action is completed, the receivables are net-offed by the risks provisions and removed from the financial statements. In the situation where there is a collection of a loan that the Bank has reserved provision for, the collected amount are deducted from the loan risk provision amount and recorded.

Equity Participations

The Bank classified its investments in the Bank for International Settlements ("BIS"), Society for Worldwide Interbank Financial Telecommunication ("SWIFT"), International Islamic Liquidity Management ("IILM") as equity participations.

Equity participations are initially recorded with their acquisition costs. In subsequent periods to initial recognition, investments in BIS and SWIFT are presented with their fair value, where, IILM investments are presented with its initial cost because of the fact that the fair value of the IILM is not reliably measured.

The fair value of BIS's shares that Bank holds are calculated as 70% the Bank's net asset on the BIS shares and converted to Turkish Lira with TL/SDR exchange rate at the end of the year. This valuation method is the method that determines purchase and sales prices of BIS shares.

The fair value of SWIFT's shares is determined by using the per share value announced by SWIFT.

Income and expenses arising from changes in fair value are recognized under other liabilities. In case of any disposals or impairment of equity participations, gain or loss that is recognized in equity participations value increase fund account under other liabilities is accounted for in the statement of profit or loss.

A dividend related to investments in equity participations are recorded to the statement of profit or loss in the period when the right to receive dividend occurs.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2015

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)

d. Financial Instruments (Continued)

Financial Liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Foreign exchange deposits by citizens abroad accounts are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

e. Banknotes in Circulation

According to the article 4 of Central Bank Law, the Bank has the exclusive privilege of issuing banknotes in Turkey. According to the article 36 of Central Bank Law, banknotes in circulation are recognized in "1.Banknotes in Circulation" under liabilities. The Bank may change the banknotes in circulation with the new banknotes, if necessary. Banknotes in circulation are presented at nominal value in the financial statements.

The Bank's semi-finished banknote inventory produced in banknote printing office are presented under "15.Other Assets" at cost. The expenses related to banknotes are capitalized and the banknotes are recorded as expense when the banknotes are transferred to reserve depot. Cost of finished and semi-finished goods consist of general expenses such as; direct cost, depreciation expense, payroll expense, banknote transportation cost and other production cost.

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 were redeemed during the period of ten years starting from 1 January 2006 until the close of business as 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 expired as of 1 January 2016.

With the Council of Ministers' decision issued in Official Gazette on 5 May 2007, it was decided that the phrase "New" on the New Turkish Lira and New Kuruş that were put into circulation on 1 January 2005, are 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 expired as of 31 December 2009. New Turkish Lira banknotes will be redeemed during the period of 10 years starting from 1 January 2010 to 31 December 2019 at the Bank and the branches of T.C. Ziraat Bankası A.Ş.

It is most unlikely that significant amounts of demonetized currency will be returned for redemption.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

**NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2015**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)

f. Fixed Assets

Fixed assets consist of land, buildings, fixtures, vehicles and software products.

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss

The depreciation rates of the fixed assets are as follows:

Buildings	2 - 4%
Vehicles, Furniture and Fixture	2 - 50%
Leasehold Improvements	10 - 20%
Software	7-33%

g. Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions include amounts provided for future probable losses in accordance with the article 59 of the Central Bank Law appropriated from the gross annual profit of the Bank based on the decision of the Board of the Bank as well as provisions for money in transit, retirement pay and taxation.

h. Employment Termination Benefits

According to the Turkish legislation and labor union agreements, employment termination benefits are paid upon the retirement of employees or in the case of layoff. The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized under actuarial gain/loss account in other liabilities.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2015

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)

i. Taxes

The Bank is subject to corporation tax in accordance with the Turkish tax legislation. In addition, the Bank is liable for income withholding tax of third parties.

The Corporate Tax Law No.5520 has come into effect with the announcement at the Official Gazette No: 26205 dated 21 June 2007. Most of the articles of the Corporate Tax Law are effective from 1 January 2006. Accordingly, in accordance with No:32 corporation tax is payable, at a rate of 20% effective from 1 January 2006, on the total income of the Bank after adjusting for certain disallowable expenses and exempt income in accordance with tax legislation and Central Bank Law No:1211.

Estimated provision amount is recorded for the corporate and income tax derived from the operations of the Bank and the liabilities related to funds on the financial statements. Current tax is calculated over the operations by taking the undeductible expenses and exceptions into consideration.

Income taxes stated in the financial statements include the change in the current tax and deferred tax.

Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liability or asset are indicated at financial statements considering their estimated effects on increase or decrease rate of tax amount that will pay future period which no temporary differences. Deferred tax asset are accounted when the probability of providing tax advantages are occurred in future period. When it is understood as being utilized that deducting from related assets made provision.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority intends to settle its current tax assets and liabilities on a net basis.

j. Custody Operations

The assets belonging to several individuals and organizations are classified in the off balance sheet accounts, since these assets are held for custody purposes only.

k. Comparative Information and Restatement of Prior Year Financial Statements

In order to allow the determination of the financial position and performance trends, the financial statements of the Bank are prepared comparatively with the prior period. Certain classifications are made in the previous year financial statements and the significant differences are disclosed in order to maintain comparability with the current year financial statement. The Bank hasn't made any reclassification on the previous year's financial statements.

(3) Changes in accounting policies in the current period and their financial effects:

There are no changes in accounting policies in the current period.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

**NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2015**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)

(4) Compliance of the Bank with the fundamental accounting principles of going concern, matching and consistency:

These financial statements have been prepared based on the fundamental principles of accounting; going concern assumption and matching principle; assuming that the Bank will continue its operations without interruption in the future.

(5) The US dollar ("US Dollar") and Euro ("EUR") bid rates used in the preparation of the balance sheet at year-end and the US\$ and EUR bid rates announced by the Bank for the last five working days prior to balance sheet date are as follows:

a. The Bank's "Exchange Rate for the Translation of Foreign Currency Items"

	31 December 2015	31 December 2014
(1 Euro = TL)	3,1776 TL	2,8207 TL
(1 US Dollar = TL)	2,9076 TL	2,3189 TL

b. EUR and US Dollar bid rates announced by the Bank as of the balance sheet date and for the last five working days prior to balance sheet date are as follows:

EUR and US Dollar bid rates as of the balance sheet date:

	31 December 2015	31 December 2014
Euro	3,1776 TL	2,8207 TL
US Dollar	2,9076 TL	2,3189 TL

Prior to Balance Sheet Date (Euro)	31 December 2015	31 December 2014
Bid rate of the 1st Day	3,1776 TL	2,8207 TL
Bid rate of the 2nd Day	3,1921 TL	2,8339 TL
Bid rate of the 3rd Day	3,2006 TL	2,8255 TL
Bid rate of the 4th Day	3,1904 TL	2,8368 TL
Bid rate of the 5th Day	3,1968 TL	2,8312 TL

Prior to Balance Sheet Date (US Dollar)	31 December 2015	31 December 2014
Bid rate of the 1st Day	2,9076 TL	2,3189 TL
Bid rate of the 2nd Day	2,9084 TL	2,3235 TL
Bid rate of the 3rd Day	2,9157 TL	2,3182 TL
Bid rate of the 4th Day	2,9123 TL	2,3177 TL
Bid rate of the 5th Day	2,9187 TL	2,3209 TL

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2015

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)

(6) Information on assets and liabilities denominated in foreign currencies, their US Dollar and TL equivalents and the foreign currency position are as follows:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	Million		Million	
	Thousand TL	USD Dollar	Thousand TL	USD Dollar
I- Foreign Currency Assets				
1) Gold Reserves	51.191.476	17.606	47.307.178	20.401
2) Foreign Currency Banknotes	4.183.399	1.439	2.091.972	902
3) Foreign Correspondents	265.541.844	91.327	245.424.135	105.836
4) Reserve Tranche Position	455.273	157	379.048	163
5) Securities Portfolio	-	-	-	-
6) Receivables Due to Monetary Policy Operations	-	-	-	-
7) Domestic Correspondents	-	-	-	-
8) Loans	22.746.403	7.823	19.351.600	8.345
9) Equity Participations	753.092	259	628.430	271
10) Treasury Liabilities Due to SDR Allocation	4.324.958	1.487	3.600.846	1.553
11) Fixed Assets (Net)	-	-	-	-
12) Loans Under Legal Follow-Up (Net)	-	-	-	-
13) Deferred Tax Assets	-	-	-	-
14) Other Assets	5.205	2	4.138	3
Total Foreign Currency Assets	349.201.650	120.100	318.787.347	137.474
II- Foreign Currency Liabilities				
1) Currency in Circulation	-	-	-	-
2) Payables Due to Monetary Policy Operations	-	-	-	-
3) Deposits	242.204.169	83.300	206.039.285	88.852
a) Public Sector	6.465.556	2.224	9.622.196	4.149
b) Banking Sector	230.664.263	79.331	189.883.850	81.885
c) Other Deposits	5.074.350	1.745	6.533.239	2.818
4) Foreign Correspondents	1.088	-	868	-
5) Reserve Tranche Position	455.273	157	379.048	163
6) SDR Allocation	4.324.958	1.487	3.600.846	1.553
7) Tax Liability	-	-	-	-
8) Provisions	-	-	-	-
9) Share Capital and Legal Reserves	-	-	-	-
10) Valuation Account	-	-	-	-
11) Profit for the Year	-	-	-	-
12) Other Liabilities	1.486.700	512	1.333.396	576
Total Foreign Currency Liabilities	248.472.188	85.456	211.353.443	91.144
Net Foreign Currency Position	100.729.462	34.644	107.433.904	46.330

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

**NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2015**

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

I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)

(7) Book value of property and equipment, accumulated depreciation and their insurance coverage:

	31 December 2015				31 December 2014			
	Cost	Accumulated depreciation	Net book value	Insurance coverage	Cost	Accumulated depreciation	Net book value	Insurance Coverage
Furniture								
And Fixture	245.076	148.181	96.895	200.078	218.782	125.089	93.693	165.886
Property	729.297	152.148	577.149	299.614	704.307	148.542	555.765	301.639
	974.373	300.329	674.044	499.692	923.089	273.631	649.458	467.525

(8) Information on significant contingent losses and gains that cannot be quantified:

As of 31 December 2015, there is a number of legal proceedings outstanding against the Bank amounting to TL 4.369 thousand, US Dollar 64.596.952 and EUR 222.397 (31 December 2014: TL 4.950 thousand, US Dollar 64.596.952 and EUR 225.451) No provisions are provided in the accompanying financial statements for such legal proceedings based on the views of legal counsel.

(9) Other matters which may have a material impact on the financial statements, or which should be explained for facilitating a better understanding of the financial statements:

Valuation Account

As explained in the article 2-ii-b, Section "A. Notes and Explanations related to Current Year" of the Section - I "Notes and Explanations related to the Bank and its Financial Structure", the "Valuation Account" in the balance sheet represents the unrealized foreign exchange gains and losses as at the balance sheet date. Realized foreign exchange gains and losses are recognized in the income statement during the period.

B. Other notes and explanations

(1) Events occurred after the balance sheet date, affecting the financial activities and/or financial structure significantly and therefore require explanation:

In the meeting of the General Assembly of the Bank that will be held on 11 April 2016, taking into consideration the articles 56 and 60 of Central Bank Law numbered 1211 and in Turkish Commercial Code No. 6102, with the law no 6335, article 64; dividend payment to employees; limited to either two month salary per employee or 5% of the distributable amount after the deductions calculated based on the ratios stated in the paragraphs (a) and (b) of the article 60 of the Central Bank Law; over the Bank's net income of the year 2015 amounting to TL 16.197.939 thousand stated in the legal books kept by the Bank in accordance with Bank's Tax Procedure Law, numbered 213, and allocation of extraordinary reserves at a rate of 10% will be resolved.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2015

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

I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)

(2) Information on the Bank's foreign branches:

There are no foreign branches; however the Bank has representatives working in Turkish Representations in London, Frankfurt, New York, Beijing, Sidney, Tokyo and Permanent Delegation to the OECD in Paris.

C. The Independent audit Organization that controls the financial tables:

The financial statements for the year ended 31 December 2015 have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. ("A member of Deloitte Touche Tohmatsu Limited"). The independent auditor's report is presented in front of the financial statements and notes to the financial statements.

II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF BALANCE SHEET COMMITMENTS

(1) Gold Reserves

In accordance with the article 53 of the Central Bank Law, the Bank manages gold and foreign exchange reserves of the Country in the context of the monetary policy targets and applications. For this purpose the Bank performs banking operations in domestic and foreign markets including forward or spot purchase/sale of gold, foreign currency, marketable securities, derivative instruments and lending/borrowing transactions in accordance with the procedures and rules determined by its own safe investment, liquidity and yield priorities.

As of 31 December 2015, the Bank owns 116.103.765 (31 December 2014: 116.103.765) net grams of gold in international standards and 3.177.798 (31 December 2014: 3.177.798) net grams of gold in non-international standards, and 399.416.229 net grams of gold which belongs to the banks those deposited gold in order to meet their reserve requirements (31 December 2014: 413.004.517). 424.710.430 (31 December 2014: 493.196.434) grams of the gold in international standards is kept at the Bank of England ("BOE") and Federal Reserve Bank of New York ("FED"), 57.138.919 (31 December 2014: 2.241.203) grams of gold is kept in Istanbul Stock Exchange and the remaining 33.670.645 (31 December 2014: 33.670.645) grams is kept at the Head Office of the Bank. The total amount of gold in non-international standards is kept at the Head Office of the Bank; 345.575 (31 December 2014: 345.575) grams of gold in non-international standards belongs to the Turkish Treasury and the related liability is presented in the balance sheet under the "Other Liabilities" account.

The gold reserve as of 31 December 2015 and 31 December 2014 is valued with the gold prices quoted in the London Bullion Market at 10:30 a.m. and on the basis of 1 ounce being equal to 31,1035 grams.

Gold Reserves	31 December 2015	31 December 2014
Gold in International Standards	51.191.476	47.307.178
CBRT's own gold	11.529.181	10.380.751
Care of the BOE	5.336.786	4.805.185
Care of the FED	2.848.878	2.565.099
Domestic gold	3.343.517	3.010.467
Required reserves of the banks	39.662.295	36.926.427
Care of the BOE	33.988.363	36.726.043
Care of BIST	5.673.932	200.384
Gold in Non-International Standard	315.557	284.125
CBRT	281.241	253.227
Treasury	34.316	30.898

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2015

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

II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF BALANCE SHEET COMMITMENTS (Continued)

(2) Foreign Correspondents

	31 December 2015		31 December 2014	
	Thousand TL	Million USD Dollar	Thousand TL	Million USD Dollar
Foreign Currency Securities	241.664.149	83.115	228.715.091	98.631
Deposit	19.711.938	6.779	12.811.106	5.525
Other	4.165.757	1.433	3.897.938	1.680
- Demand deposits	264.281	91	648.590	280
- SDR holdings account	3.900.212	1.342	3.247.340	1.399
- Other	1.264	-	2.008	1
Total	265.541.844	91.327	245.424.135	105.836

Foreign Correspondents account consists of foreign currency securities held as foreign currency reserves and the current accounts of the Bank held on its foreign correspondents. Foreign currency securities consist of government bonds and treasury bills issued by foreign government and kept in custody at foreign banks.

As of 31 December 2015, foreign currency securities held for reserve purpose amounting to TL 241.664.149 thousand (31 December 2014: TL 228.715.091 thousand) are valued with the prices quoted in the international markets where they are traded at the balance sheet date.

(3) Securities Portfolio and Receivables Due to Monetary Policy Operations

(a) Information on Securities Portfolio

As of 31 December 2015, securities portfolio amounting to TL 8.957.518 thousand consists of government bonds with outright purchase. (As of 31 December 2014: The securities portfolio amounting to TL 9.217.474 thousand consists of government bonds with outright purchase.)

Breakdown of securities portfolio as of 31 December 2015 are as follows:

	31 December 2015			
	Acquisition Cost	Accrual (net)	Carrying Amount	Fair Value
<u>Purchases under Agreements to Resell:</u>				
Treasury Bills and Government Bonds				
1. Fixed Income	-	-	-	-
2. Indexed to Inflation	-	-	-	-
3. Indexed to Foreign Currency	-	-	-	-
4. Foreign Currency	-	-	-	-
5. Floating Rate	-	-	-	-
<u>Outright Purchases:</u>				
Treasury Bills and Government Bonds				
1. Fixed Income	9.096.149	(138.631)	8.957.518	8.957.518
2. Indexed to Inflation	-	-	-	-
3. Indexed to Foreign Currency	-	-	-	-
4. Foreign Currency	-	-	-	-
5. Floating Rate	-	-	-	-
TOTAL	9.096.149	(138.631)	8.957.518	8.957.518

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2015

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

II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF BALANCE SHEET COMMITMENTS (Continued)

(3) Securities Portfolio and Receivables Due to Monetary Policy Operations (continued)

(a) Information on Securities Portfolio (continued)

As of 31 December 2015 the nominal values of TL securities acquired by outright purchases amounts to TL 9.000.000 thousand. (31 December 2014: 8.999.000 thousand TL)

Breakdown of securities portfolio as of 31 December 2014 are as follows:

	31 December 2014			
	Acquisition Cost	Accrual (net)	Carrying Amount	Fair Value
<u>Purchases under Agreements to Resell:</u>				
Treasury Bills and Government Bonds				
1. Fixed Income	-	-	-	-
2. Indexed to Inflation	-	-	-	-
3. Indexed to Foreign Currency	-	-	-	-
4. Foreign Currency	-	-	-	-
5. Floating Rate	-	-	-	-
<u>Outright Purchases:</u>				
Treasury Bills and Government Bonds				
1. Fixed Income	9.034.712	182.762	9.217.474	9.217.474
2. Indexed to Inflation	-	-	-	-
3. Indexed to Foreign Currency	-	-	-	-
4. Foreign Currency	-	-	-	-
5. Floating Rate	-	-	-	-
TOTAL	9.034.712	182.762	9.217.474	9.217.474

(b) Receivables Due to Monetary Policy Operations

As of 31 December 2015, breakdown of the securities purchased under agreement to resell recognized in off-balance sheet is as follows:

	31 December 2015	
	Nominal	Fair value
<u>Purchases under Agreements to Resell:</u>		
Treasury Bills and Government Bonds		
1 Fixed Income	84.610.481	90.812.272
2 Inflation-Indexed	-	-
3 Indexed	-	-
4 Foreign Currency	-	-
5 Floating Rate	-	-
TOTAL	84.610.481	90.812.272
	31 December 2014	
	Nominal	Fair value
<u>Purchases under Agreements to Resell:</u>		
Treasury Bills and Government Bonds		
1 Fixed Income	41.307.109	46.287.689
2 Inflation-Indexed	-	-
3 Indexed	-	-
4 Foreign Currency	-	-
5 Floating Rate	-	-
TOTAL	41.307.109	46.287.689

II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF BALANCE SHEET COMMITMENTS (Continued)

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2015

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

(3) Securities Portfolio and Receivables Due to Monetary Policy Operations (continued)

(b) Receivables Due to Monetary Policy Operations (continued)

Receivables Due to Monetary Policy- Open Market Operations at the asset side of the balance sheet as of 31 December 2015 – Securities purchased under agreements to resell presented under Open Market Operations consists of TL 89.537.798 thousand of capital paid and the accrued interest income (31 December 2014: TL 46.254.099 thousand). As of 31 December 2015, the accrued interest on securities purchased under agreements to resell amounting to TL 64.798 thousand (31 December 2014: TL 45.099 thousand) is presented in the Receivables due to Monetary Policy Operations - Open Market Operations.

In addition, as of 31 December 2015, there is TL 5.937.272 thousand of Money Market receivable including income accruals due from the transactions the Bank entered into on its behalf (31 December 2014: TL 200.063 thousand). Interest income accrual amounting to TL 1.772 thousand (31 December 2014: TL 63 thousand) are accounted for in the same account.

In addition, as of 31 December 2015, TL 26.505 thousand the Bank received from Interbank Money Market including expense accruals (31 December 2014: TL 32.307 thousand) as the counterparty of the transaction was presented as Liabilities due Monetary Policy Operations - Interbank Money Market Operations. Accrued interest expense of this liability; TL 5 thousand; (31 December 2014: TL 7 thousand) was also accounted for in the same account.

(4) Domestic Correspondents

Interbank Money Market transactions where the Bank acts as an intermediary are recognized in the domestic correspondents account under assets and in the bank deposits accounts under liabilities. The Bank carries the default risk of the borrower counterparty in these transactions against the collaterals taken from these counter parties.

As of 31 December 2015, there are no foreign currency interbank money market transactions where the Bank acted as intermediary. (31 December 2014: None)

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2015

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

II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF BALANCE SHEET COMMITMENTS (Continued)

5) Loans

(a) Information on domestic loans:

As of 31 December 2015 loans to domestic banks; TL 22.719.309 thousand (31 December 2014: TL 19.328.800 thousand) consists of the discount loans.

(b) Information on loans and advances given to shareholders and employees

None. (31 December 2014: None).

(c) Information on Foreign Loans:

Foreign loans represent the receivables initially originated from the commercial transactions made under treaties with the foreign central banks and subsequently converted to loans.

(d) Information on loans under legal follow-up (net):

The total balance consists of receivables related with the trading transactions with Iraq and became uncollectible due to the Gulf Crisis. The balance is classified as loans under legal follow-up and it is fully provisioned.

Movements in the allowance for loans and receivables under legal follow-up:

	31 December 2015		31 December 2014	
	Thousand TL	Thousand USD Dollar	Thousand TL	Thousand USD Dollar
Opening balance	3.549.661	1.220.822	3.262.626	1.406.971
- Increases during the Period (+) (*)	6.405	2.203	4.458	1.923
- Transfers from Other Follow-up Accounts (+)	-	-	-	-
- Transfers to Other Follow-up Accounts (-)	-	-	-	-
- Collections during the Period (-)	-	-	-	-
- Write-offs (-)	-	-	-	-
- Foreign Exchange Differences	902.779	310.489	282.577	121.858
Closing balance	4.458.845	1.533.514	3.549.661	1.530.752
- Allowance (-)	(4.458.845)	(1.533.514)	(3.549.661)	(1.530.752)
Net balance after allowance	-	-	-	-

(*) As of 31 December 2015, TL 6.405 thousand of increase during the period (31 December 2014: TL 4.458 thousand) represents accrued interest on the loans and receivables under follow-up.

According to the article 61 of the Central Bank Law, foreign currency denominated loans under follow-up are revalued at period ends and unrealized gains and losses arising from the revaluation are classified into the "Valuation Differences" which is a transitory account. Allowances for the related receivables including foreign currency valuation differences are recognized in the income statement according to the article 59 of the Central Bank Law.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2015

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

II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF BALANCE SHEET COMMITMENTS (Continued)

6) Equity Participations

As of 31 December 2015 and 2014, the Bank's equity participations are as follows:

Title	Share rate (%)	Total Paid-in Share Capital	31 December 2015 Acquisition Cost	31 December 2014 Acquisition Cost	31 December 2015 Ledger Asset	31 December 2014 Ledger Asset
Bank for International Settlements (BIS) (*) (**)	1,43	698,9 milyon SDR	(*) 10.000.000 SDR	(*) 10.000.000 SDR	723.924	605.164
International Islamic Liquidity Management Corporation (IILM)	13,33	75 milyon ABD Doları	10.000.000 USD	10.000.000 USD	29.076	23.189
S.W.I.F.T.	0,007	13,8 milyon Euro	18.320 Euro	18.320 Euro	92	77
Total Affiliates					753.092	628.430

(*) In BIS, against 8.000 shares of Bank, paid is 10.000.000 SDR, unpaid is 30.000.000 SDR.

(**) Its fair value is calculated as 70% of Bank's right on net worths.

Until 1 January 2013 the Bank accounted for its equity participations at cost and converted them to Turkish Lira with the exchange rate as of the balance sheet date. The Bank has changed its accounting policy on 1 January 2013 and chose to fair value its equity participations in BIS and SWIFT whose fair values can be reliably measured. The Bank's equity participation in IILM whose fair value could not be reliably measured continues to be accounted for at cost. In current year, TL 124.662 thousand of valuation increase; which is TL 12.657 thousand the foreign currency valuation difference; was accounted for in the "Valuation Account"; and the remaining TL 112.005 thousand (TL 106.405 thousand after deducting deferred tax effect TL 5.600 thousand) was accounted for as "Fair value increase/(decrease) in equity participations" under "Other Liabilities". (Refer to Not II. 16)

Movement of equity participations	2015	2014
Opening balance (1 January)	628.430	587.727
The effect of accounting policy change	-	-
Change in fair value for the year	112.005	38.145
The effect of foreign currency valuation for the year	12.657	2.558
Ending Balance (31 December)	753.092	628.430

In the year ended 31 December 2015, there isn't any purchased or disposed equity participation.

In 2015 the profit share was collected from Bank for International Settlements is TL 6.355 thousand. (2014: TL 5.361 thousand).

(7) Fixed Assets

As of 31 December 2015, the cost of property and related accumulated depreciation amounts to TL 729.297 thousand (31 December 2014: TL 704.307 thousand) and TL 152.148 thousand (31 December 2014: TL 148.542 thousand) respectively, whereas the cost of furniture and fixture and related accumulated depreciation amounts to TL 245.076 thousand (31 December 2014: TL 218.782 thousand) and TL 148.181 thousand (31 December 2014: TL 125.089 thousand) respectively.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

**NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2015**

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

II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF BALANCE SHEET COMMITMENTS (Continued)

(8) Other Assets

Other assets- The list of other account is presented below:

	31 December 2015	31 December 2014
Temporary tax to be deducted from corporate tax	1.623.928	1.182.887
Taxes to be deducted from income tax withholding	285.085	127.108
Printing plant inventory	48.379	41.067
Construction in progress expenses	10.149	5.237
Other materials and warehouses	9.302	9.495
Letter of credit expenses of banknote printing office	5.527	4.911
Collection banknote depot	3.183	3.183
Medallion depot	549	626
Other	98.220	31.319
Total	2.084.321	1.405.833

Other assets- The breakdown of accrued income account is presented in the following:

	31 December 2015	31 December 2014
Commissions and expenses to be collected from Treasury(*)	21.606	17.987
EFT commission income accrual	14.045	12.886
Other	371	877
Total Interest and Income Accruals	36.022	31.750

(*) With the decision of the Board of the Bank numbered 9525/19124 dated 4 October 2011, Regulation on Tariffs has been amended. According to the amendment, starting from 12 October 2011, commissions and fees are charged to the Prime Ministry Undersecretariat of Treasury due to the transactions with the public administrations within the scope of overall budget.

(9) Currency in circulation

According to the article 1 of Central Bank Law, the Bank has the exclusive privilege of issuing banknotes in Turkey. As of 31 December 2015, the banknotes in circulation amount to TL 103.042.636 thousand (31 December 2014: TL 85.118.222 thousand).

Movement of banknotes in circulation	2015	2014
1 January Balance	85.118.222	74.814.590
Banknotes issued into circulation	45.739.890	34.357.066
Banknotes withdrawn from circulation and destroyed	(27.815.476)	(24.053.434)
31 December Balance	103.042.636	85.118.222

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2015

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

II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF BALANCE SHEET COMMITMENTS (Continued)

(10) Reserve Tranche Position

As of 8 June 2011, under the scope of the membership to the International Monetary Fund ("IMF"), the country quota of Turkey was increased by SDR 264.500.000, reaching SDR 1.455.800.000.

As of 31 December 2015, Reserve Tranche Position represents the prepayment of SDR 112.775.000 for the total IMF quota of SDR 1.455.800.000 and is recorded in the "Foreign Currency Reserves - Reserve Tranche Position" under the assets and in the "Reserve Tranche Position" under liabilities. As of 31 December 2015, the balance of the account amounts to TL 455.273 thousand (31 December 2014: TL 379.048 thousand).

SDR 112.307.000 (31 December 2014: SDR 112.307.000) allocated to Turkey in accordance with the protocol signed with the IMF has been used by the Turkish Treasury and is classified as "Treasury Liabilities due to SDR Allocation" under "Assets" and as "SDR Allocation" under "Liabilities". Additionally, as of 28 August 2009 and 9 September 2009, the amounts of SDR 883.122.365 and SDR 75.900.364 have been allocated as General SDR allocation and Special SDR allocation respectively to the Turkish Treasury by IMF where the Bank act as an intermediary institution and are accounted for as explained. As of 31 December 2015, the balance is TL 4.324.958 thousand (31 December 2014: 3.600.846 thousand TL).

(11) Deposits

The deposits balance is composed of deposits from the Turkish Treasury, public institutions, the banking sector, citizens abroad, international institutions and funds.

Public Sector and Banking Sector Deposits

According to article 41 of the Central Bank Law, deposits of the public institutions are non-interest bearing except for the deposits of the Turkish Treasury. With the amendment in article 41 of Central Bank Law numbered 1211 as of 13 February 2011, principles and procedures about charging interest on deposits of Treasury in custody of the Bank are decided to be determined jointly by the Bank and the Turkish Treasury. Within this scope, protocol between the Bank and the Treasury which is entitled as "Principles and Procedures about Charging Interest on Deposits of the Prime Ministry Undersecretariat of Treasury in Custody of the Central Bank of Republic of Turkey" is signed as of 12 October 2011 and the interest is started to be charged on the deposits of Treasury in custody of the Bank. Public sector deposits other than the deposits of the Turkish Treasury are demand deposits.

The deposits of the banking sector consist of two-day notice foreign currency deposits, TL demand deposits and reserve deposits. Interest has been paid for the required reserves since 3 November 2014. Also, interest has been started to be paid for the foreign currency required reserves since 5 May 2015.

Deposits by citizens abroad

As of 31 December 2015, deposits by citizens abroad amounting to TL 3.900.911 thousand (31 December 2014: TL 5.846.583 thousand) consist of deposits by Turkish citizens living abroad.

The term of Deposits by Citizens Abroad account varies between 1 to 3 years. There is no newly opened account due to liquidation process of worker remittances. The maturity date of expired accounts are not renewed as of January 1, 2015. These accounts are monitored on a zero-interest checking account with accrued interest.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2015

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

II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF BALANCE SHEET COMMITMENTS (Continued)

(11) Deposits (Continued)

Deposits by citizens abroad (continued)

Distribution of deposits by citizens abroad accounts according to type of currency is presented in the following:

Foreign Currency	31 December 2015			31 December 2014		
	Foreign Currency Balance (000)	Thousand TL Equivalent	Interest rates (*)	Foreign Currency Balance (000)	Thousand TL Equivalent	Interest rates (*)
Euro	1.160.946	3.689.023	0,25%	1.977.388	5.577.618	0,25%-1,00%
USD Dollar	58.664	170.573	0,25%	91.489	212.154	0,25%
CHF	13.573	39.740	0,25%	22.980	53.766	0,25%
Other	372	1.576	0,25%	852	3.045	0,25%
Total		3.900.911			5.846.583	

(*) Minimum interest rates of the deposit accounts other than the ones mentioned above are 0,25%, 0,25%, 0,25% and 0,25% for EUR, US Dollar, CHF and GBP respectively as of 31 December 2015 (31 December 2014: 0,25%, 0,25%, 0,25% and 0,25% for EUR, US Dollar, CHF and GBP respectively).

Deposits by International Institutions

Deposits by the international institutions represents the TL thousand equivalent of the balance transferred to the Bank by the IMF as "special drawing rights" ("SDR"). The Bank is designated as "the depositor" to regulate the relations of the Turkish Treasury and the IMF. As of 31 December 2015, TL 13.651 thousand (31 December 2014: TL 11.956 thousand) which represents the minimum quota amount denominated in SDR is recorded as the deposit balance of IMF. In addition to this, the balance of the amount of TL 13 thousand is used for tracking revenues such as IMF's sales revenues of publication and administrative expenses which took place within the limits of a member country and used only in the currency of the member country (31 December 2014: TL 11 thousand. In addition, as of 31 December 2015, there is TL 57 thousand of African Development Bank (AfKB) amounting to in the Bank's accounts. (31 December 2014: TL 43.977 thousand)

Deposits of Funds

Deposits of funds consist of the demand accounts of various funds controlled by the Prime Ministry of the Republic of Turkey.

(12) Share Capital and Legal Reserves

According to the article 5 of the Central Bank Law, the nominal capital of the Bank is TL 25.000 and it is divided into 250.000 shares, with a par value of Kr 10 each. The capital may be increased with the approval of the Government. The shares are divided into (A), (B), (C) and (D) classes. The (A) group shares belong solely to the Turkish Treasury and cannot be lower than 51% of the capital.

The representation of Bank's capital between 31 December 2015 and 2014:

	31 December 2015	31 December 2014
Nominal capital	25	25
Inflation adjustment to share capital	46.209	46.209
Total capital	46.234	46.234

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2015

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

II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF BALANCE SHEET COMMITMENTS (Continued)

(12) Share Capital and Legal Reserves (continued)

The list of Bank's shareholders is presented below:

	31 December 2015		31 December 2014	
	Share		Share	
	Amount	Share Rate	Amount	Share Rate
	TL (*)	%	TL (*)	%
Turkish Treasury	13.780	55	13.780	55
T.C. Ziraat Bankası A.Ş.	4.806	19	4.806	19
Mervak İç ve Dış Ticaret A.Ş.	1.280	5	1.280	5
Türkiye Garanti Bankası A.Ş.	621	3	621	3
Türkiye İş Bankası A.Ş.	582	2	582	2
T.C. Sosyal Güvenlik Kurumu	350	2	350	2
Türkiye Kızılay Derneği	301	1	301	1
Türkiye Halk Bankası A.Ş.	277	1	277	1
Other	3.003	12	3.003	12
Total nominal capital	25.000	100	25.000	100

(*) Shared amounts are stated as exact TL.

20% of the annual gross profit of the Bank is allocated as legal reserves each year. Additionally, after the deduction of legal reserves on gross profit and first dividends to shareholders, 10% of the remaining balance is allocated as extraordinary reserves.

In accordance with the decision of the General Assembly dated 9 April 2015 and Tax Procedure Law numbered 213, the Bank distributed TL 8.357 thousand to its employees from the net total profit of year 2014 amounting TL 8.637.593 thousand TL, 3 thousand to shareholders as dividend out of the profit and TL 2.827.795 thousand was transferred to reserves. The remaining amounting of TL 5.801.438 thousand was transferred to Turkish Treasury.

(13) Provisions

Retirement Pay Provision

As of 31 December 2015, the Bank calculated retirement pay provision amounting to TL 172.191 thousand (31 December 2014: TL 142.191 thousand) and recorded the full provision under the provision account.

Movement of retirement pay provision is presented below:	2015	2014
1 January Balance	142.191	128.170
Service cost	30.359	15.063
Interest cost	5.673	4.586
Paid during the current year	(6.032)	(5.628)
31 December Balance	172.191	142.191

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2015

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

II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF BALANCE SHEET COMMITMENTS (Continued)

(13) Provisions (continued)

Insurance Provision for Money in Transit

As of 31 December 2015, the Bank, calculated provision for the transfer insurance of banknotes, cash and securities amounting to TL 243.056 thousand (31 December 2014: TL 243.056 thousand) and recorded the provision amount under the provision account.

(14) Tax Liability

Corporate Tax Provision

	<u>31 December</u> <u>2015</u>	<u>31 December</u> <u>2014</u>
Corporate tax	2.350.351	1.461.675
Other taxes (*)	80.494	66.258
Tax obligation – net	2.430.845	1.527.933

(*)It consists of income tax, bank insurance transactions tax, stamp duty and value added tax.

The Bank is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Bank's results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate is 20% (2014: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2015 is 20%. (2014: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Tax expense as of 31 December 2015 and 2014 is as follows:

	<u>1 January –</u> <u>31 December</u> <u>2015</u>	<u>1 January –</u> <u>31 December</u> <u>2014</u>
- Corporate tax	(2.350.351)	1.461.675
- Deferred tax income	5.067	(2.490)
Tax expense	2.345.284	1.459.185

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2015

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

II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF BALANCE SHEET COMMITMENTS (Continued)

(14) Tax Liability (Continued)

Deferred Tax

As of 31 December 2015 and 31 December 2014, the details of temporary differences and calculated deferred tax assets/ (liabilities) are presented below:

	Total temporary differences	Deferred Tax Assets/(Liabilities)
	31 December 2015	31 December 2015
Retirement pay provision	172.191	34.438
Fixed asset depreciation adjustment	36.559	7.312
Fair value increase/(decrease) of equity participations	(683.554)	(34.178)
Net Assets		7.572

	Total temporary differences	Deferred Tax Assets/(Liabilities)
	31 December 2014	31 December 2014
Retirement pay provision	142.191	28.438
Fixed asset depreciation adjustment	41.230	8.246
Fair value increase/(decrease) of equity participations	(571.553)	(28.578)
Net Assets		8.106

As of 31 December 2015 and 2014, movement of deferred tax assets is presented below:

	2015	2014
1 January Balance	8.106	7.524
The effect of the change in accounting policy	-	-
Deferred tax associated with the income statement, net	5.067	2.490
Deferred tax associated with other liabilities (*)	(5.601)	(1.908)
31 December Balance	7.572	8.106

(*)Associated with the fair value increase/ (decrease) in equity participations and actuarial gain.

Reconciliation of tax expense is presented below:

	2015	2014
Profit/(loss) before tax	16.202.606	10.100.827
Provision calculated over the corporate tax rate (20 %)	3.240.521	2.020.165
Tax allowance	(915.602)	(570.207)
Undeductible expenses	20.365	9.227
Tax expense/(income)	2.345.284	1.459.185

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2015

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

II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF BALANCE SHEET COMMITMENTS (Continued)

(15) Valuation Account

As explained in the article 2-ii-a, Section "A. Notes and Explanations related to the Current Year" of the section - I "Notes and Explanations related to the Bank and its Financial Structure", the "Valuation Account" in the balance sheet represents the unrealized foreign exchange gains and losses as at the balance sheet date. Foreign exchange gains and losses realized during the period are recognized in the income statement.

(16) Other Liabilities

As of 31 December 2015, TL 34.316 thousand (31 December 2014: TL 30.898 thousand) of other liabilities is the gold reserve in non-international standard kept on behalf of Treasury.

As of 31 December 2015, the breakdown of other liabilities – other is presented below:

	<u>31 December</u> <u>2015</u>	<u>31 December</u> <u>2014</u>
Fair value increase/(decrease) in equity participations	649.385	542.980
Account transactions with subsequent dates	341.029	338.544
Withholding tax belongs to repo interest written as income via rediscount	9.726	6.767
Seized and prudent money	5.450	2.168
Amounts waiting for the application of beneficiaries	4.787	4.042
Debts from bonds waiting for court decisions	4.625	5.798
Bills and money orders to be paid	4.307	13.250
Retirement pay provision actuarial gain	2.490	2.490
Payments to heirs as a result of death	2.050	2.984
Interests waiting because of its being under the limit	10.216	9.056
Money to be liquidated to the following period	1.590	795
Prior year's losses	(7.042)	(11.091)
Other	31.412	26.268
Total	1.060.025	944.051

Other liabilities –Breakdown of accrual expenses are shown below:

	<u>31 December</u> <u>2015</u>	<u>31 December</u> <u>2014</u>
Interest accrual expense of IMF periodic payments	361	302
Other	2.863	2.897
Total Accrual Expenses	3.224	3.199

**NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2015**

III. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF BALANCE SHEET COMMITMENTS (Continued)

31 December 2015

31 December 2014

OFF-BALANCE SHEET LIABILITIES									
	A	B	C	D	E	F	G	H	E+F+H
	TP	FC (Original Money)	FC (TL Equivalent)	Number	Total	TP(Original Money)	FC (TL Equivalent)	Number	Total
A. Securities in Custody	91,647,372	17,045	59,397	23	91,664,440	102,648,462	62,593	13	102,668,964
1. Marketable Securities in Custody – Free	73,866,158	13,816	54,202	-	73,879,974	87,213,668	59,251	1	87,231,733
2. Deal Securities	179,544	-	-	6	179,550	170,006	-	6	170,010
3. Marketable Security Exchange Market Banks' Guarantee Letters	383,633	-	-	-	383,633	351,751	-	-	351,751
4. Government Debt Security Depot of Savings Deposits Insurance Fund, Exempt from Income Tax	15,715,301	-	-	-	15,715,301	13,410,303	-	-	13,410,303
5. Other	1,502,736	3,229	5,195	17	1,505,982	1,502,736	3,342	6	1,505,167
B. Guarantees Received	18,647,538	10,703,791	32,016,196	211	29,351,340	17,369,497	22,377,731	211	26,573,356
1. Government Debt Security Deposits of Bank under Foreign Exchange Market Guarantee	699,900	-	-	-	699,900	1,667,203	-	-	1,667,203
2. Bonds as Interbank Money Market Operations Guarantees	8,370,193	221,484	689,613	-	8,591,677	5,297,190	-	-	5,297,190
3. Government Debt Security Deposits Accepted as Guarantee for Open Market Operations	9,576,994	819,000	2,381,324	-	10,395,994	10,378,844	498,891	-	10,586,844
4. Intermediary Institutions' Pledged Government Debt Security Deposits	-	-	-	-	-	26,020	-	-	26,020
5. Other	251	9,663,307	28,945,259	211	9,663,769	8,995,648	21,878,840	211	8,996,099
C. Obsolete and Reserve Banknotes	64,599,394	-	-	-	64,599,394	53,488,737	-	-	53,488,737
1. Reserve Banknotes - Head Office	18,943,382	-	-	-	18,943,382	9,820,562	-	-	9,820,562
2. Reserve Banknotes – Branches, Banknotes Deposits and Other Units	45,153,068	-	-	-	45,153,068	43,191,499	-	-	43,191,499
3. Obsolete Banknotes - Head Office and Branches	163,859	-	-	-	163,859	224,481	-	-	224,481
4. Obsolete Banknotes – Branches, Banknotes deposits and Other Units	339,085	-	-	-	339,085	252,195	-	-	252,195
D. Other	335,974,465	127,602	366,601	643,523	336,745,590	301,476,220	275,202	633,791	302,226,686
1. Repurchase Agreements Pledge Account	3,295,923	-	-	-	3,295,923	2,084,308	-	-	2,084,308
2. Bank Treasury Bonds Portfolio and Security Deposits Received Through Repo Transactions	93,610,481	-	-	-	93,610,481	50,306,109	-	-	50,306,109
3. Customer Transactions Portfolio – Takasbank and MKK	238,974,851	-	-	-	238,974,851	248,991,571	-	-	248,991,571
4. Marketable Security Portfolio in Electronic Security Fund Transfer System	54,761	-	-	-	54,761	54,761	-	-	54,761
5. BIST Members' Treasury Bond Depot	29,303	-	-	-	29,303	32,373	-	-	32,373
6. Other	9,146	127,602	366,601	643,523	780,271	7,098	275,202	633,791	757,564
E. Unpublished Marketable Securities Deposits in Electronic Marketable Security Transfer Recording	423,131,368	-	-	-	423,131,368	401,344,953	-	-	401,344,953
TOTAL (A+B+C+D+E)	933,999,937	10,848,438	32,442,194	643,757	945,492,132	876,327,869	22,715,526	634,015	886,302,696

TOTAL (A+B+C+D+E)

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

**NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2015**

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

III. NOTES AND EXPLANATIONS TO THE STATEMENT OF PROFIT OR LOSS

(1) Interest Income

	<u>1 January – 31 December 2015</u>	<u>1 January – 31 December 2014</u>
Interests received from transactions of purchases under agreements to resell	5.841.938	3.918.262
Interests received from TL and FC securities	2.238.649	2.313.892
Interest received from interbank monetary policy operations	176.933	9.040
Interest received from loans	74.837	90.763
Interest received from banks	26.415	14.355
Total	8.358.772	6.346.312

(2) Interest Expense

	<u>1 January – 31 December 2015</u>	<u>1 January – 31 December 2014</u>
Interest paid to Undersecretariat of Treasury accounts	1.402.705	939.791
Interest paid to banks	577.122	33.304
Interest paid to deposits by citizens abroad	13.652	23.082
Interest paid to IMF general use of resources	2.098	3.046
Interest paid to interbank monetary policy operations	1.808	5.504
Interest paid to open market operations	-	4.802
Total	1.997.385	1.009.529

(3) Non-Interest Income

	<u>1 January – 31 December 2015</u>	<u>1 January – 31 December 2014</u>
Foreign exchange gains	12.710.303	6.333.511
Gains on purchase and sale of securities	8.928	1.082.159
Income on equity participations	6.355	5.361
Other non-interest income	4.112	4.474
Total	12.729.698	7.425.505

“Foreign Exchange Gains” consists of realized gains on foreign currency trading transactions during the current year.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2015

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

III. NOTES AND EXPLANATIONS TO THE STATEMENT OF PROFIT OR LOSS
(Continued)

(4) Non-interest Expenses

	<u>1 January – 31 December 2015</u>	<u>1 January – 31 December 2014</u>
Losses on purchase and sale of securities and fair value decreases	1.280.245	1.677.478
Provision for non-performing loans	909.184	287.035
Wages and salaries	631.546	598.859
Foreign exchange transaction losses	237.909	239.833
General administrative and banknote expenses	177.377	156.391
Social security expenses	81.422	63.310
Depreciation expense	29.525	30.592
Other non-interest expenses	4.028	2.618
Total	3.351.236	3.056.116

"Foreign Exchange Losses" consists of realized losses on foreign currency trading transactions during the current.

Provisions for non-performing loans consists of the provisions provided for the accrued interest income on non-performing loans amounting to TL 6.405 thousand (2014: TL 4.458 thousand) and for the foreign exchange difference on non-performing loans amounting to TL 902.779 thousand occurred due to fluctuations in foreign exchange rates during the year (2014: TL 282.577 thousand).

IV. NOTES AND EXPLANATIONS TO CASH FLOW STATEMENT

(1) Cash and Cash equivalents at the beginning of the period:

	<u>1 January 2015</u>	<u>1 January 2014</u>
Foreign Currency Banknotes	2.091.972	3.754.572
Coins	67.257	68.021
Foreign Correspondents / Deposit	12.810.574	17.107.304
Foreign Correspondents / Other	3.897.857	4.395.176
Receivables due to Money Market Operations	46.409.000	39.071.407
Domestic Correspondents	-	-
Cash and Cash equivalents	65.276.660	64.396.480

(2) Cash and Cash equivalents at the end of the period:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Foreign Currency Banknotes	4.183.399	2.091.972
Coins	105.359	67.257
Foreign Correspondents / Deposit	19.708.519	12.810.574
Foreign Correspondents / Other	4.165.639	3.897.857
Receivables due to Money Market Operations	95.408.500	46.409.000
Domestic Correspondents	-	-
Cash and Cash equivalents	123.571.416	65.276.660

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2015

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

V. SUPPLEMENTARY FINANCIAL STATEMENTS

Presentation of Assets and Liabilities according to their remaining maturities

CURRENT PERIOD(31 December 2015)	On Demand	In 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 years	5 years and over	Retained	Total
ASSET								
Gold Reserves	11,705,156	39,486,320	-	-	-	-	-	51,191,476
Foreign Currency Banknotes	4,183,399	-	-	-	-	-	-	4,183,399
Foreign Correspondents	4,165,757	32,996,203	37,239,385	129,499,327	61,631,123	10,049	-	265,541,844
Reserve Tranche Position	455,273	-	-	-	-	-	-	455,273
Securities Portfolio	-	1,244,664	1,112,072	418,193	6,182,589	-	-	8,957,518
Receivables due to Money Market Operations	-	95,475,070	-	-	-	-	-	95,475,070
Domestic Correspondents	-	-	-	-	-	-	-	-
Loans	26,347	3,094,317	6,255,259	13,370,480	-	-	-	22,746,403
Equity Participations	753,092	-	-	-	-	-	-	753,092
Treasury Liability due to SDR Allocation	4,324,958	-	-	-	-	-	-	4,324,958
Fixed Assets (Net)	-	-	-	-	-	-	-	-
Loans Under Legal Follow-up	-	-	-	-	-	-	674,044	674,044
Deferred Tax Asset	-	-	-	-	-	-	-	-
Other Assets	2,479,521	-	325	-	-	-	7,572	2,541,259
Total assets	28,093,503	172,296,574	44,607,041	143,288,000	67,813,712	10,049	743,029	456,851,908
LIABILITY								
Currency in Circulation	103,042,636	-	-	-	-	-	-	103,042,636
Payables due to Money Market Operations	-	26,505	-	-	-	-	-	26,505
Deposits	3,470,537	278,382,475	183,508	1,083,253	560,098	-	-	283,679,871
Foreign Correspondents	1,088	-	-	-	-	-	-	1,088
Reserve Tranche Position	455,273	-	-	-	-	-	-	455,273
SDR Allocation	4,324,958	-	-	-	-	-	-	4,324,958
Tax Liability	-	-	2,430,845	-	-	-	-	2,430,845
Provisions	-	-	-	-	-	-	-	-
Share Capital and Legal Reserves	-	-	-	-	-	-	415,247	415,247
Valuation Account	-	-	-	-	-	-	13,775,612	13,775,612
Profit for the Year	-	-	-	-	-	-	32,651,757	32,651,757
Other Liabilities	-	-	-	-	-	-	13,857,322	13,857,322
Total Liabilities	111,353,754	278,802,450	2,614,353	1,083,253	560,098	-	62,438,000	456,851,908
Net Liquidity Position	(83,260,251)	(106,505,876)	41,992,688	142,204,747	67,253,614	10,049	(61,694,971)	-

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2015

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

V. SUPPLEMENTARY FINANCIAL STATEMENTS (Continued)

Presentation of Assets and Liabilities according to their remaining maturities

PREVIOUS PERIOD(31 December 2014)	On Demand	In 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 years	5 years and over	Retained	Total
ASSET								
Gold Reserves	10,380,751	36,926,427	-	-	-	-	-	47,307,178
Foreign Currency Banknotes	2,091,972	-	-	-	-	-	-	2,091,972
Foreign Correspondents	3,897,938	18,868,975	41,344,616	130,071,735	51,139,587	101,284	-	245,424,135
Reserve Tranche Position	379,048	-	-	-	-	-	-	379,048
Securities Portfolio	-	721,553	50,930	2,351,148	6,093,843	-	-	9,217,474
Receivables due to Money Market Operations	-	46,454,162	-	-	-	-	-	46,454,162
Domestic Correspondents	-	-	-	-	-	-	-	-
Loans	21,013	4,595,427	5,868,896	8,865,670	594	-	-	19,351,600
Equity Participations	628,430	-	-	-	-	-	-	628,430
Treasury Liability due to SDR Allocation	3,600,846	-	-	-	-	-	-	3,600,846
Fixed Assets (Net)	-	-	-	-	-	-	649,458	649,458
Loans Under Legal Follow-up	-	-	-	-	-	-	-	-
Deferred Tax Asset	8,106	-	-	-	-	-	-	8,106
Other Assets	1,734,323	-	272	-	-	-	54,370	1,788,965
Total Assets	22,742,427	107,566,544	47,264,714	141,288,553	57,234,024	101,284	703,828	376,901,374
LIABILITY								
Currency in Circulation	85,118,222	-	-	-	-	-	-	85,118,222
Payables due to Money Market Operations	-	32,307	-	-	-	-	-	32,307
Deposits	1,396,219	234,473,975	358,897	2,611,820	2,652,541	-	-	241,493,452
Foreign Correspondents	868	-	-	-	-	-	-	868
Reserve Tranche Position	379,048	-	-	-	-	-	-	379,048
SDR Allocation	3,600,846	-	-	-	-	-	-	3,600,846
Tax Liability	-	-	1,527,933	-	-	-	-	1,527,933
Provisions	385,247	-	-	-	-	-	-	385,247
Share Capital and Legal Reserves	10,947,817	-	-	-	-	-	-	10,947,817
Valuation Account	22,857,074	-	-	-	-	-	-	22,857,074
Profit for the Year	8,641,642	-	-	-	-	-	-	8,641,642
Other Liabilities	49,143	394,626	-	-	-	-	1,473,149	1,916,918
Total Liabilities	134,904,059	234,900,908	358,897	2,611,820	2,652,541	-	1,473,149	376,901,374
Net Liquidity Position	(112,161,632)	(127,334,364)	46,905,817	138,676,733	54,581,483	101,284	(769,321)	-