

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

**FINANCIAL STATEMENTS
AT 31 DECEMBER 2013
TOGETHER WITH AUDITOR'S REPORT**

INDEPENDENT AUDITOR’S REPORT FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2013

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 statement of financial position as of 31 December 2013 and the statement of profit or loss, statement of other comprehensive income, statement of cash flows and statement of changes in equity 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 the financial statements in accordance with International Financial Reporting Standards, 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 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 of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

İstanbul, 7 March 2014

DRT Bağımsız Denetim ve Şirketi A.Ş.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

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THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2013

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

			As Restated (Note 2.e)		As Restated (Note 2.e)
		31 December 2013	31 December 2012	31 December 2013	31 December 2012
	Notes	Thousand TL	Thousand TL	Million US\$(*)	Million US\$(*)
ASSETS					
Cash (foreign currency and coin)		3.822.593	790.220	1.791	443
Due from banks	6	60.562.182	31.169.704	28.376	17.486
Financial assets at fair value through profit or loss	7	220.054.904	177.158.701	103.104	99.382
Loans and advances to customers	8	13.319.157	6.810.250	6.241	3.820
Available-for-sale financial assets	9	587.727	539.850	275	303
Gold reserves	10	43.112.273	34.600.877	20.200	19.411
Property and equipment	11	642.515	266.322	301	149
Intangible assets	12	2.737	8.018	1	4
Other assets	13	101.182	63.348	47	36
Total assets		342.205.270	251.407.290	160.336	141.034
LIABILITIES					
Currency in circulation	14	74.814.590	60.525.482	35.053	33.954
Due to banks	15	188.585.937	130.889.978	88.360	73.426
Other deposits	16	39.767.473	31.146.053	18.633	17.472
Due to International Monetary Fund ("IMF")	17	10.551	10.277	5	6
Other borrowed funds	18	208.520	1.398.694	98	785
Other liabilities	19	1.240.162	894.837	581	502
Taxes liabilities	20	246.414	14.593	115	8
Deferred tax liability	20	4.422.986	2.724.309	2.072	1.528
Retirement benefit obligations	21	128.170	119.290	60	67
Total liabilities		309.424.803	227.723.513	144.977	127.748
EQUITY					
Paid-in share capital	28	47.464	47.464	22	27
Retained earnings		31.024.507	20.746.829	14.536	11.639
Other reserves		1.708.496	2.889.484	801	1.620
Total equity		32.780.467	23.683.777	15.359	13.286
TOTAL LIABILITIES AND EQUITY		342.205.270	251.407.290	160.336	141.034

(*) US dollar ("US\$") amounts presented above are translated from TL for convenience purposes only, at the official foreign currency bid rate announced by the Bank at 31 December 2013 and 2012, and therefore do not form part of these financial statements (Note 2.d.).

The notes on pages 6 to 52 are an integral part of these financial statements.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2013

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

			As Restated (Note 2.e) 2012	2013	As Restated (Note 2.e) 2012
	Notes	Thousand TL	Thousand TL	Million US\$(*)	Million US\$(*)
Interest income	22	4.389.412	5.484.239	2.306	3.060
Interest expense	22	(588.913)	(1.014.834)	(309)	(566)
Net interest income	22	3.800.499	4.469.405	1.997	2.494
Fee and commission income	23	353.398	265.576	186	148
Fee and commission expense	23	(16.227)	(13.675)	(9)	(8)
Net fee and commission income	23	337.171	251.901	177	140
Dividend income	24	6.903	1.583	4	1
Net income/(expense) from financial assets at fair value through profit or loss		(2.194.336)	(1.020.559)	(1.153)	(570)
Foreign exchange gains, net	25	15.471.271	(3.839.220)	8.128	(2.140)
Other operating income		12.458	168.878	7	94
Impairment losses on loans and advances		(543.844)	(5.472)	(286)	(3)
Other operating expenses	26	(797.901)	(725.283)	(419)	(406)
Profit/(loss) before income tax		16.092.221	(698.767)	8.455	(390)
Income tax expense/(income)	20	(2.893.292)	422.685	(1.520)	236
Net profit/(loss) for the year		13.198.929	(276.082)	6.935	(154)

(*) US dollar ("US\$") amounts presented above are translated from TL for convenience purposes only, at the average of daily official foreign currency bid rates announced by the Bank for the years ended 31 December 2013 and 2012, and therefore do not form part of these financial statements (Note 2.d).

The notes on pages 6 to 52 are an integral part of these financial statements.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 DECEMBER 2013

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

		2013	As Restated (Note 2.e) 2012
	Notes	Thousand TL	Thousand TL
Net profit/(loss) for the year		13.198.929	(276.082)
Other comprehensive income			
<i>Items those will not be reclassified subsequently to profit or loss</i>			
Increase/(decrease) in the value of gold reserves		(1.536.757)	(29.929)
Deferred tax on increase/(decrease) in the value of gold reserves		307.352	5.986
Actuarial gains/(loss) on severance liability		3.112	-
Deferred tax on actuarial gains/(loss) on severance liability		(622)	-
<i>Items those may be reclassified subsequently to profit or loss</i>			
Changes in fair values of available-for-sale securities	9	47.877	5.468
Deferred tax on changes in fair values of available-for-sale securities	20	(1.950)	(410)
Total comprehensive income/(loss) for the year		12.017.941	(294.967)

The notes on pages 6 to 52 are an integral part of these financial statements.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Paid-in Share Capital		Other Reserves				Retained earnings	Total
	Share capital	Adjustment to share capital	Total paid-in share capital	Available for sale assets fair value increase / (decrease)	Gold reserves fair value increase / (decrease)	Actuarial gain / (loss)		
Balance at 1 January 2012 - as previously reported	25	47.439	47.464	473.591	-	6.382	29.212.680	29.740.117
Restatement effect (Note 2.e)	-	-	-	-	2.428.396	-	(2.428.396)	-
Balance at 1 January 2012 - as restated (Note 2.e)	25	47.439	47.464	473.591	2.428.396	6.382	26.784.284	29.740.117
Cash dividends paid	-	-	-	-	-	-	(5.761.373)	(5.761.373)
Net profit/(loss) for the year	-	-	-	-	-	-	(276.082)	(276.082)
Other comprehensive income/(loss)	-	-	-	5.058	(23.943)	-	-	(18.885)
Total comprehensive income/(loss)	-	-	-	5.058	(23.943)	-	(276.082)	(294.967)
Balance at 1 January 2013	25	47.439	47.464	478.649	2.404.453	6.382	20.746.829	23.683.777
Cash dividends paid	-	-	-	-	-	-	(2.921.251)	(2.921.251)
Net profit/(loss) for the year	-	-	-	-	-	-	13.198.929	13.198.929
Other comprehensive income/(loss)	-	-	-	45.927	(1.229.405)	2.490	-	(1.180.988)
Total comprehensive income/(loss)	-	-	-	45.927	(1.229.405)	2.490	13.198.929	12.017.941
Balance at 31 December 2013	25	47.439	47.464	524.576	1.175.048	2.490	31.024.507	32.780.467

The notes on pages 6 to 52 are an integral part of these financial statements.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2013

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

		2013	As Restated (Note 2.e) 2012
	Notes	Thousand TL	Thousand TL
Cash flows (used in)/from operating activities			
Net profit/(loss) for the year		13.198.929	(276.082)
Adjustment for:			
Depreciation of property and equipment	11	34.116	16.875
Amortization of intangible assets	12	7.242	1.302
Retirement benefit obligations	21	11.822	31.745
Interest income, net	22	(3.800.499)	(4.469.405)
Interest received		3.995.454	5.445.190
Interest paid		(763.540)	(1.297.864)
Dividend income	24	(6.903)	(1.583)
Commission income, net	23	(337.171)	(251.901)
Commission received, net		335.451	283.386
Commission paid		(16.687)	(13.675)
Income tax expense/(income)	20	2.893.292	(422.685)
Unrealized foreign exchange gains, net		(10.045.842)	5.803.860
(Increase)/decrease in value of financial assets, net		1.749.097	456.050
(Gain)/loss on sale of property and equipment		918	789
Other		-	951
Cash flows from operating profits before changes in operating assets and liabilities		7.255.679	5.306.953
Changes in operating assets and liabilities:			
Net change in gold reserves		(10.048.155)	(15.649.394)
Net change in financial assets			
at fair value through profit or loss		(7.370.343)	(60.084.202)
Net change in loans and advances to customers		(4.667.759)	(4.323.911)
Net change in other assets		596.012	(4.038)
Net change in currency in circulation		14.289.108	5.422.308
Net change in due to banks		30.363.212	48.582.526
Net change in other deposits		8.795.564	(3.850.620)
Net change in other liabilities		(2.304.967)	(59.298)
Taxes paid		(658.013)	(1.451.762)
Retirement benefits paid	21	(2.942)	(3.932)
Net cash (used in)/from operating activities		36.247.396	(26.115.370)
Cash flows related to investing activities			
Purchase of property, equipment and intangible assets	11-12	(413.328)	(50.981)
Cash proceeds from disposals of property, equipment and intangible assets		140	596
Dividends received		6.903	6.666
Net cash used in investing activities		(406.285)	(43.719)
Cash flows related to financing activities			
Borrowed/(paid) bank loans, net		(1.189.416)	882.701
Dividends paid		(2.921.251)	(5.761.373)
Net cash used in financing activities		(4.110.667)	(4.878.672)
Effects of exchange-rate changes on cash and cash equivalents		714.636	(1.510.144)
Change in cash and cash equivalents		32.445.080	(32.547.905)
Cash and cash equivalents at the beginning of the period	30	31.927.837	64.475.742
Cash and cash equivalents at the end of the period	30	64.372.917	31.927.837

The notes on pages 6 to 52 are an integral part of these financial statements.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 1 - GENERAL INFORMATION

The Central Bank of the Republic of Turkey (the "Bank") was incorporated in Turkey in 1931. It was established as a joint stock company with the exclusive privilege of issuing banknotes in Turkey and is vested with the powers and duties set forth in the Central Bank of the Republic of Turkey Law No. 1211 (the "Central Bank Law"). The Head Office of the Bank is located in Ankara. The Bank's registered head office is located at the following address: İstiklal Cad. 10 Ulus, 06100 Ankara, Turkey. The Bank now operates a nationwide network of 21 branches and 4 foreign representatives. As of 31 December 2013, the Bank employed 4.660 people (31 December 2012: 4.585).

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

The fundamental duties of the Bank are;

- a) to carry out open market operations,
- b) to take necessary measures in order to protect the domestic and international value of the Turkish Lira ("TL") and to establish the exchange rate policy in determining the parity of TL against gold and foreign currencies jointly with the Government of the Republic of Turkey ("Turkish Government"); to execute transactions such as spot and forward purchases and sales of foreign currency and banknotes, foreign currency swaps and other derivatives transactions in order to determine the value of TL against other currencies,
- c) to determine the procedures and conditions of reserve requirements by taking into consideration the liabilities of banks and other financial institutions to be deemed appropriate by the Bank,
- d) to conduct rediscount and advance transactions,
- e) to manage the gold and foreign currency reserves of the country,
- f) to regulate the volume and circulation of the TL, to establish payment, securities transfer and settlement systems and to set forth regulations to ensure the uninterrupted operation and supervision of the existing or future systems, to determine the methods and instruments including electronic environment for payments,
- g) to take precautions for enhancing the stability in the financial system and to take regulatory measures with respect to money and foreign exchange markets,
- h) to monitor the financial markets,
- i) to determine the terms and types of deposits in banks and the terms of participation funds in special finance houses.

NOTE 2 – BASIS OF PRESENTATION

(a) Turkish Lira Financial Statements

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

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

These financial statements will be submitted to General Assembly of the Bank on 17 April 2014 after the approval of Board of the Bank on 14 March 2014.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 2 – BASIS OF PRESENTATION (Continued)

(b) Application of New and Revised Standards

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

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported and disclosures in these financial statements. Details of other standards and interpretations adopted in these financial statements but that have had no material impact on the financial statements are set out in the following sections.

New and Revised IFRSs affecting presentation and disclosure only

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 Presentation of Items of Other Comprehensive Income is effective for the annual periods beginning on or after 1 July 2012. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments can be applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

IAS 19 Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application. The Bank management has evaluated the effect of accounting policy change on the financial statements and the change was not retrospectively applied as the post-tax effect was deemed to be immaterial.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 2 – BASIS OF PRESENTATION (Continued)

(b) Application of New and Revised Standards (Continued)

New and revised IFRSs effective from 2013 with no effect on the Bank's financial statements

Amendments to IAS 1	<i>Clarification of the Requirements for Comparative Information</i>
IFRS 10	<i>Consolidated Financial Statements</i>
IFRS 11	<i>Joint Arrangements</i>
IFRS 12	<i>Disclosure of Interests in Other Entities</i>
IFRS 13	<i>Fair Value Measurement</i> ³
Amendments to IFRS 7	<i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
Amendments to IFRS 10, IFRS 11 and IFRS 12	<i>Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guide</i> ³
IAS 27 (as revised in 2011)	<i>Separate Financial Statements</i> ³
IAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures</i>
Amendments to IFRSs (IAS 16, IAS 32, IAS 34)	<i>Annual Improvements to IFRSs 2009-2011 except for the amendment to IAS 1.</i>

Amendments to IAS 1 Presentation of Financial Statements

(as part of the Annual Improvements to IFRSs 2009-2011 Cycle issued in May 2012)

The amendments to IAS 1 as part of the Annual Improvements to IFRSs 2009-2011 Cycle are effective for the annual periods beginning on or after 1 January 2013. IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position. The amendments to the standard did not have a significant effect on the financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation - Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 2 – BASIS OF PRESENTATION (Continued)

(b) Application of New and Revised Standards (Continued)

New and revised IFRSs effective from 2013 with no effect on the Bank's financial statements (Continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (Continued)

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted provided all of these standards are applied at the same time. The application of these five standards does not have a significant impact on amounts reported in the financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The application of this new standard has no significant effect on the financial statements.

Amendments to IFRS 7 *Offsetting Financial Assets and Financial Liabilities and the related disclosures*

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. These amendments to IFRS 7 did not have a significant effect on the Bank's disclosures.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 2 – BASIS OF PRESENTATION (Continued)

(b) Application of New and Revised Standards (Continued)

New and revised IFRSs effective from 2013 with no effect on the Bank's financial statements (Continued)

Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012

The *Annual Improvements to IFRSs 2009 - 2011 Cycle* include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include:

- Amendments to IAS 16 *Property, Plant and Equipment*; and
- Amendments to IAS 32 *Financial Instruments: Presentation*.
- Amendments to IAS 34 *Interim Financial Report*

Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The amendments to IAS 16 did not have a significant effect on the financial statements.

Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income Taxes*. The amendments to IAS 32 did not have a significant effect on the financial statements.

Amendments to IAS 34

The amendments to IAS 34 clarify that disclosure of the total assets and total liabilities for a particular reportable segment is only required if a measure of total assets or total liabilities (or both) is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The amendments to IAS 34 did not have an effect on the financial statements.

New and revised IFRSs in issue but not yet effective

The Bank has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	<i>Financial Instruments</i>
Amendments to IFRS 9 and IFRS 7	<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures</i>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities¹</i>
Amendments to IFRS 10, 11 and IFRS 27	<i>Investment Entities¹</i>
Amendments to IAS 36	<i>Recoverable Amount Disclosures for Non-financial Assets¹</i>
Amendments to IAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting¹</i>
IFRS 21 Interpretation	<i>Levies¹</i>

¹ Effective for annual periods beginning on or after 1 January 2014.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 2 – BASIS OF PRESENTATION (Continued)

(b) Application of New and Revised Standards (Continued)

New and revised IFRSs in issue but not yet effective (Continued)

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Amendments of IFRS 9 and IFRS 7: Mandatory Effective Date of IFRS 9 and Transition Disclosures

On November 2013, it is tentatively decided that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017.

Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

Amendments to IFRS 10, 11, IAS 27 *Investment Entities*

This amendment with the additional provisions of IFRS 10 provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss.

Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

As a consequence of IFRS 13 *Fair Value Measurements*, there are amendments in the explanations about the measurement of the recoverable amount of an impaired asset. This amendment is limited to non-financial assets and paragraphs 130 and 134 of IAS 36 has been changed.

Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

This amendment to IAS 39 makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

IFRS Interpretation 21 *Levies*

IFRS Interpretation 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 2 – BASIS OF PRESENTATION (Continued)

(c) Accounting for the effect of hyperinflation

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

(d) US\$ translation

US\$ amounts shown in the balance sheets are translated from TL for convenience purposes only, at the official bid rates announced by the Bank on 31 December 2013 of TL 2,1343 = US\$ 1 (31 December 2012: TL 1,7826 = US\$ 1) and US\$ amounts shown in the income statements are translated from TL for convenience purposes only, at the average US\$ bid rates calculated from the daily official bid rates announced by the Bank for the year ended 31 December 2013 of TL 1,90334 = US\$ 1 (31 December 2012: TL 1,79249 = US\$ 1) and therefore, do not form part of these financial statements.

(e) Comparatives

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 cash flow statement.

In the year ended 31 December 2013, the Bank has changed its accounting policy for the recognition of fair value increase/ (decrease) in gold reserves and restated its prior year financial statements by accounting for the effects of this change retrospectively in accordance with IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors". The effects of the restatement on the financial statements are as follows:

	<u>As Previously Reported</u>	<u>Restatement Effect</u>	<u>As Restated</u>
Balance at 1 January 2012			
Retained earnings	29.212.680	(2.428.396)	26.784.284
Other reserves	479.973	2.428.396	2.908.369
Balance at 1 January 2012			
Retained earnings	23.151.282	(2.404.453)	20.746.829
Other reserves	485.031	2.404.453	2.889.484
1 January-31 December 2012			
Net loss for the year	(300.025)	23.943	(276.082)

The restatement of prior year financial statements did not have any effect on equity of the Bank; while other reserves increased by TL 2.404.453 thousand, retained earnings decreased by at the same amount as of 31 December 2012.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("TL").

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange rates

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

	<u>31 December 2013</u>	<u>31 December 2012</u>
US Dollar ("US\$")	2,1343	1,7826
Euro ("EUR")	2,9365	2,3517
Swiss Franc ("CHF")	2,3899	1,9430
Great Britain Pound ("GBP")	3,5114	2,8708
Japanese Yen ("JPY")	0,0202	0,0206
Special Drawing Rights ("SDR") (*)	3,2895	2,7536

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

(b) Interest income and expense

Interest income and expenses are recognized on an accrual basis taking into account the internal rate of return method.

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

(c) Fee and commission income

Fee and commission income and expenses and fees and commissions paid to the other financial institutions are recognized over the period of the related transaction or in the period they are paid or collected depending on their nature.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and 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. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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 and the Bank intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Gold reserves

Gold bullion

Gold bullion consists of the stocks of gold bars of international standard and non-international standard held at the Bank and held with correspondents. Gold is held by the Bank as part of its foreign currency reserves and represents 14,70% (31 December 2012: 15,76%) of aggregate foreign currency reserves. The Bank has no present intention to dispose of any of its existing gold reserve stocks as the Bank maintains the gold reserve as a part of its foreign currency reserve management. Gold bullion is recorded in physical weight in troy ounces.

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

Gains and losses from the valuation of gold bullions arising as a result of the changes in the fair value are accounted for as other comprehensive income.

The exchange rate of gold bullion to TL as of 31 December 2013 was TL 2.564 per troy ounce (31 December 2012: TL 2.966 per troy ounce).

Gold coins

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

(f) Financial assets

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. The Bank's financial assets at fair value through profit or loss are held for trading financial assets. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Trading securities are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, trading securities are measured at fair value and gains and losses arising from a change in the fair value are recognized in the income statement. Differences between the fair value and cost of trading securities are also recorded in "financial assets held for trading" line on the balance sheet.

Interest earned whilst holding trading securities is reported as interest income.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial assets (Continued)

Investment securities held-to-maturity

Held-to-maturity securities are financial assets with fixed maturities and pre-determined payment schedules that the Bank has the intent and ability to hold until maturity, excluding loans and receivables. Investment securities held-to-maturity are initially recognized at cost, and subsequently carried at "amortized cost" using the "internal rate of return method"; and provision is made for impairment if any. The Bank has no investment securities held-to-maturity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Investment securities available-for-sale

Available-for-sale assets are financial assets that are not loans and receivables, held to maturity investments and financial assets at fair value through profit or loss. The Bank's investments in equity instruments, which are not traded in an active market and stock exchange, are classified as available for sale financial assets. Investment securities are initially recognized at transaction prices, which normally reflect their fair values.

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

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

Effective interest method

The effective interest 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 to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

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

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

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

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial liabilities

Financial liabilities and equity instruments issued by the Bank are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Bank after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in 'other gains/losses' line in the statement of comprehensive income. The Bank has no financial liabilities at fair value through profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

(i) Sale and repurchase agreements

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

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Money issuance

The Bank has the exclusive privilege of issuing banknotes. Stocks of banknotes in issuance which are in process at the Bank's own printing facilities are stated at cost and included in "Other Assets". Expenses associated with the banknotes are initially capitalized and are charged to the income statement upon transfer of the banknotes to reserve banknotes depot of the Bank. Costs of printed banknotes and banknotes in issuance include direct costs, depreciation, staff costs, costs for transportation of banknotes and other issuance costs. The unit cost of raw materials is determined on the moving weighted average basis.

When banknotes are returned to the Bank by the commercial banks via collection transactions, they are deducted from notes in circulation and depending on their condition or legal tender status, are either sent for destruction or included in the reserve banknotes depot of the Bank.

(k) Property and equipment

Land and buildings comprise mainly branches of the Bank and offices.

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

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, 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 charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property 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 useful lives of the property and equipment are as follows;

Buildings	50 years
Equipment and motor vehicles	5 years

(l) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Trademarks and licenses

Acquired trademarks and licenses are shown at historical cost. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Intangible assets (Continued)

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives. (5-10 years)

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives.

(m) Banknotes in circulation

Currency in Circulation - Turkish Lira

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

Demonetized Currency - Turkish Lira and New Turkish Lira

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

With the Council of Ministers' decision issued in Official Gazette on 5 May 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 are expired as of 31 December 2009. New Turkish Lira banknotes will be redeemed for a period of 10 years starting from 1 January 2010 to 31 December 2019 in the branches of the Bank and T.C. Ziraat Bankası A.Ş..

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

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

As of 31 December 2011, the Bank has recorded gain of TL 4.893 thousand under the capital reserves due to banknotes those have been take out of circulation and have expired but still outstanding (Note 14).

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Provisions

Provisions are recognized when the Bank has a present obligation as a result of a past event, and it is probable that the Bank will be required to settle that 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 balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(o) Retirement benefit obligations

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Bank. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19").

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation. All the actuarial gains and losses are accounted for as other comprehensive income that will not be subsequently reclassified to profit or loss.

(p) Related parties

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

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(s) Profit distribution

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

- i) 20% to the reserve fund,
- ii) 6% over the nominal value of the equity shares to the shareholders as an initial dividend,
- iii) After deducting the above-stated percentages a maximum of 5% of the remaining amount; so as not to exceed two months salaries; to the Bank personnel and 10% percent to the extraordinary reserves,
- iv) Subject to the decision of the General Assembly a maximum of 6% over the nominal value of the equity shares to the shareholders as the secondary dividend.

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

As the Bank maintains its books of account and prepares its statutory financial statements in accordance with Turkish Commercial Code, tax legislation and the Central Bank Law; according to the Central Bank Law the profit of the Bank which is subject to the profit distribution is the net period profit in the statutory books of the Bank prepared in accordance with the Tax Law numbered 213.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Fiduciary activities

The Bank commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals and financial institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets or income of the Bank. Fiduciary capacity at 31 December 2013 and 2012 is as follows:

	<u>31 December 2013</u>	<u>31 December 2012</u>
Securities held in custody	345.881.812	355.852.272
Total	345.881.812	355.852.272

NOTE 4 - FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

By nature, the Bank's activities require the use of financial instruments. The Bank accepts deposits from other banks and public institutions; the required reserves from banks and financial institutions operating in Turkey; and foreign currency deposits from Turkish citizens resident abroad. The Bank also accepts or places short-term funds/securities through open market operations in order to influence short-term interest rate, which is the primary tool of monetary policy to achieve the inflation target and establish price stability.

Foreign currency deposits placed with the Bank and foreign currency acquired by the Bank through regular auctions and direct purchases constitute the sources of foreign currency reserves of the Bank. The Bank holds foreign currency reserves both for meeting its own foreign currency liabilities and for the purposes of rendering foreign debt service with the capacity of the financial agent of the Turkish Government, maintaining foreign exchange liquidity against external shocks, underpinning implementations of monetary and exchange rate policies, and providing confidence to the markets. In view of the Bank's priorities of safe investment, liquidity and return, respectively, as stipulated by the Central Bank Law, the Bank directs its foreign currency reserves to investments in international markets with a prudent approach.

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

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

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

The management of the credit risk that the Bank is exposed to during the foreign currency reserve management is based on the principle of minimizing the default probabilities of the counterparties and the financial loss in case of default. In this framework, the Bank implements a three-stage risk management process in order to minimize the credit risk arising from foreign currency reserve management operations. In the first stage, the Bank confines its investments to the leading international financial institutions and debtors that meet the minimum credit rating criteria specified in the Guideline based on the credit ratings given by the international credit rating agencies. Accordingly, the Bank can take on exposure to banks having at least A1 or an equivalent credit rating, with a maturity of up to one year; while it can invest in securities issued or directly guaranteed by foreign governments which have at least A2 or an equivalent credit rating, in their domestic currencies as long as the remaining maturity is 10 years at the most. The Bank can also invest in securities issued by the World Bank, the Bank for International Settlements ("BIS"), European Investment Bank, International Monetary Fund ("IMF"), Islamic Development Bank Group and International Islamic Liquidity Management Corporation ("IILM"), regardless of the credit rating criteria. In the second stage, the total transaction limit, expressed as a percentage of total reserves, is specified in order to control overall credit risk including settlement risk arising from transactions with financial institutions. By setting this overall credit risk limit within the scope of the SBP set each year, the Bank aims to prevent non-sovereign credit risk from exceeding its risk tolerance. In the third stage, the institutions eligible for transactions are chosen among those institutions meeting the minimum credit rating criteria set in the Guideline, using the fundamental and the financial analysis methods each institution is granted a certain credit risk limit in view of their capital size and credit quality. In all transactions executed with these institutions, credit risk exposures that are calculated on the basis of transaction type are immediately reflected on their limits, and the use of these limits are regularly monitored and reported.

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

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NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (continued)

Total assets of the Bank exposed to the credit risk as of 31 December 2013 and 2012 are presented in the table below according to different asset classes (classification according to external credit ratings is done based on the credit ratings published by Moody's):

	31 December 2013		31 December 2012	
	TL	Share (%)	TL	Share (%)
Due from banks	60.562.182	21	31.169.704	14
- Demand Deposits	4.371.899	1	3.248.881	2
Central Banks	886.555	-	244.759	1
Supranational Institutions	3.427.087	1	2.895.733	1
Foreign Commercial Banks	58.257	<1	108.389	<1
- Time Deposits	17.108.317	6	4.889.268	2
Central Banks	13.721.321	5	4.422.803	1
Supranational Institutions	2.258.861	1	315	-
Foreign Commercial Banks	1.128.135	<1	446.531	<1
Aaa	-	<1	-	-
Aa2	1.128.135	-	446.531	-
Domestic Commercial Banks	-	-	19.619	-
- Securities purchased under agreements to resell	39.007.450	13	23.031.555	11
Domestic Commercial Banks	39.007.450	13	23.031.555	11
- Due from Interbank Money Market transactions	74.516	<1	-	-
Financial assets at fair value				
through profit or loss	220.054.904	75	177.158.701	82
Foreign Country Treasuries	203.513.212	69	161.650.682	75
Aaa	181.866.717	62	161.650.682	75
Aa1	12.295.365	4	-	-
Aa3	9.351.130	3	-	-
Supranational Institutions	7.610.591	3	7.048.310	3
Turkish Treasury	8.931.101	3	8.459.709	4
Loans and advances to customers	13.319.157	5	6.810.250	3
Available-for-sale financial assets	587.727	<1	539.850	<1
Supranational Institutions	587.660	<1	539.850	<1
Foreign Financial Institutions	67	<1	-	-
Other assets	-	-	8.357	<1
Total	294.523.970	100	215.686.862	100

Although the Turkish Government bonds issued by the Turkish Treasury are included in the above table, the Bank does not consider its receivables from the Turkish Treasury as risky in terms of credit risk and therefore does not take these assets into account when calculating its credit risk exposures. Similarly, the receivables from domestic commercial banks for the purpose of monetary policy implementations are also excluded when calculating credit risk exposures because of the fully collateralized nature of these transactions as previously explained. As of 31 December 2013, the Bank has receivables amounting to TL 39.007.450 thousand (31 December 2012: TL 23.031.555 thousand) placed with domestic commercial banks as part of securities purchased under agreements to resell. As of 31 December 2013, the Bank has no foreign exchange market operations amounting classified under "Due from banks" (31 December 2012: 19.619 thousand). The fair value of the security collaterals obtained for the deposits placed under securities purchased under agreements to resell as of 31 December 2013 is TL 40.712.338 thousand (31 December 2012: TL : 23.080.611 thousand). In addition, as of 31 December 2013, the Bank has security collaterals obtained for all foreign exchange markets operations including the placed deposits under foreign currency deposit market operations amounting to TL 2.247.469 thousand (31 December 2012: TL 5.661.311 thousand). As of 31 December 2013 and 2012, the security collaterals are the Turkish Government bonds issued by the Turkish Treasury.

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NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (continued)

The sectoral classifications of the Bank's credit exposure as of 31 December 2013 and 2012 are as follows:

	31 December 2013						Total
	Foreign Country Treasury	Foreign Central Banks	Supranational Financial Institutions	Domestic Financial Institutions	Foreign Financial Institutions	Turkish Treasury	
Due from banks	-	14.607.876	5.685.948	39.081.966	1.186.392	-	60.562.182
Financial assets at fair value through profit or loss	203.513.212	-	7.610.591	-	-	8.931.101	220.054.904
Loans and advances to customer	-	12.023	-	13.307.134	-	-	13.319.157
Available-for-sale financial assets	-	-	587.660	-	67	-	587.727
Other assets	-	-	-	-	-	-	-
Total	203.513.212	14.619.899	13.884.199	52.389.100	1.186.459	8.931.101	294.523.970

	31 December 2012						Total
	Foreign Country Treasury	Foreign Central Banks	Supranational Financial Institutions	Domestic Financial Institutions	Foreign Financial Institutions	Turkish Treasury	
Due from banks	-	4.667.562	2.896.048	23.051.174	554.920	-	31.169.704
Financial assets at fair value through profit or loss	161.650.682	-	7.048.310	-	-	8.459.709	177.158.701
Loans and advances to customer	-	13.539	-	6.796.711	-	-	6.810.250
Available-for-sale financial assets	-	-	539.850	-	-	-	539.850
Other assets	-	-	-	8.317	40	-	8.357
Total	161.650.682	4.681.101	10.484.208	29.856.202	554.960	8.459.709	215.686.862

As indicated above, the credit risk is mainly concentrated on foreign country treasury and central banks, supranational financial institutions, domestic financial institutions and Turkish Treasury as of 31 December 2013 and 2012.

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NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (continued)

Geographical concentrations of assets, liabilities and off-balance sheet items of the Bank as of 31 December 2013 and 2012 are as follows:

31 December 2013						
	Turkey	Other European Countries	Canada and US	South - East Asia	Other Countries	Total
Cash	3.822.593	-	-	-	-	3.822.593
Due from banks	39.081.966	7.427.587	13.469.971	566.029	16.629	60.562.182
Financial assets at fair value through profit or loss	8.931.101	99.627.724	111.496.079	-	-	220.054.904
Loans and advances to customers	13.307.134	2.741	-	-	9.282	13.319.157
Available-for-sale financial assets	-	566.384	-	21.343	-	587.727
Gold reserves	3.163.317	37.583.627	2.365.329	-	-	43.112.273
Property and equipment	642.515	-	-	-	-	642.515
Intangible assets	2.737	-	-	-	-	2.737
Other assets	97.300	3.247	216	419	-	101.182
Total assets	69.048.663	145.211.310	127.331.595	587.791	25.911	342.205.270
Currency in circulation	74.814.590	-	-	-	-	74.814.590
Due to banks	188.580.203	1	5.444	289	-	188.585.937
Other deposits	29.780.899	9.972.026	9.702	2.432	2.414	39.767.473
Due to IMF	-	-	10.551	-	-	10.551
Other borrowed funds	208.520	-	-	-	-	208.520
Other liabilities	308.673	314.077	858.883	82	4.861	1.486.576
Deferred income tax liability	4.422.986	-	-	-	-	4.422.986
Retirement benefit obligations	128.170	-	-	-	-	128.170
Equity	32.780.467	-	-	-	-	32.780.467
Total liabilities and equity	331.024.508	10.286.104	884.580	2.803	7.275	342.205.270
Net balance sheet position	(261.975.845)	134.925.206	126.447.015	584.988	18.636	-
Off-balance sheet commitments	28.702.393	-	-	-	-	28.702.393

31 December 2012						
	Turkey	Other European Countries	Canada and US	South - East Asia	Other Countries	Total
Cash	89.824	502.531	193.305	214	4.346	790.220
Due from banks	23.051.174	5.193.089	2.662.907	252.424	10.110	31.169.704
Financial assets at fair value through profit or loss	8.459.709	66.158.499	102.540.493	-	-	177.158.701
Loans and advances to customers	6.796.711	3.208	-	-	10.331	6.810.250
Available-for-sale financial assets	-	522.024	-	17.826	-	539.850
Gold reserves	3.566.344	28.298.511	2.736.022	-	-	34.600.877
Property and equipment	266.322	-	-	-	-	266.322
Intangible assets	8.018	-	-	-	-	8.018
Other assets	63.309	-	39	-	-	63.348
Total assets	42.301.411	100.677.862	108.132.766	270.464	24.787	251.407.290
Currency in circulation	60.525.482	-	-	-	-	60.525.482
Due to banks	130.884.222	1	5.445	310	-	130.889.978
Other deposits	19.936.369	11.179.928	24.984	3.548	1.224	31.146.053
Due to IMF	-	-	10.277	-	-	10.277
Other borrowed funds	1.398.694	-	-	-	-	1.398.694
Other liabilities	93.225	165.638	650.567	-	-	909.430
Deferred income tax liability	2.724.309	-	-	-	-	2.724.309
Retirement benefit obligations	119.290	-	-	-	-	119.290
Equity	23.683.777	-	-	-	-	23.683.777
Total liabilities and equity	239.365.368	11.345.567	691.273	3.858	1.224	251.407.290
Net balance sheet position	(197.063.957)	89.332.295	107.441.493	266.606	23.563	-
Off-balance sheet commitments	24.386.573	82.608	-	-	-	24.469.181

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NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

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

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

There are no financial assets that are past due but not impaired at 31 December 2013 and 2012; therefore, there are no collaterals held against such past due financial assets.

As of 31 December 2013 and 2012, the Bank has no assets held for resale.

(c) Market risk

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

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

(d) Currency risk

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

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

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NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk (Continued)

The net foreign currency position of the Bank as of 31 December 2013 and 2012 is summarized below. The table presented below provides the Bank's assets, liabilities, and equity at carrying amounts, categorized by currency:

	31 December 2013								
	Foreign currency								
	US\$	EUR	JPY	CHF	GBP	SDR	Other	Total	TL
Cash	1.783.394	1.709.332	328	18.192	132.371	-	110.955	3.754.572	68.021
Due from banks	15.435.583	1.523.741	566.557	526.522	171.367	3.178.840	65.427	21.468.037	39.094.145
Financial assets at fair value through profit or loss	119.684.520	85.235.552	-	-	3.059.692	-	3.144.039	211.123.803	8.931.101
Loans and advances to customers	9.878.459	3.433.143	-	-	7.555	-	-	13.319.157	-
Available-for-sale financial assets	554.765	67	-	-	-	32.895	-	587.727	-
Gold reserves	42.850.276	-	-	-	-	-	-	42.850.276	261.997
Property and equipment	-	-	-	-	-	-	-	-	642.515
Intangible assets	-	-	-	-	-	-	-	-	2.737
Other assets	168	677	419	-	129	47	574	2.014	99.168
Total assets	190.187.165	91.902.512	567.304	544.714	3.371.114	3.211.782	3.320.995	293.105.586	49.099.684
Currency in circulation	-	-	-	-	-	-	-	-	74.814.590
Due to banks	113.361.255	59.100.637	-	-	37.938	-	-	172.499.830	16.086.107
Other deposits	4.772.842	17.583.440	4.759	92.397	70.499	3.154.705	6	25.678.648	14.088.825
Due to IMF	-	-	-	-	-	-	-	-	10.551
Other borrowed funds	-	-	-	-	-	-	-	-	208.520
Other liabilities	843.667	292.469	438	3.757	18.299	-	19.873	1.178.513	308.063
Deferred income tax liability	-	-	-	-	-	-	-	-	4.422.986
Retirement benefit obligations	-	-	-	-	-	-	-	-	128.170
Equity	-	-	-	-	-	-	-	-	32.780.467
Total liabilities and equity	118.977.774	76.976.546	5.197	96.154	126.736	3.154.705	19.879	199.356.991	142.848.279
Net balance sheet position	71.209.391	14.925.966	562.107	448.560	3.244.378	57.077	3.301.116	93.748.595	(93.748.595)

	31 December 2012								
	Foreign currency								
	US\$	EUR	JPY	CHF	GBP	SDR	Other	Total	TL
Cash	192.819	482.718	214	10.874	7.227	-	6.544	700.396	89.824
Due from banks	4.213.847	590.643	252.963	230.399	157.660	2.667.989	24.177	8.137.678	23.032.026
Financial assets at fair value through profit or loss	109.588.803	56.728.356	-	-	2.381.833	-	-	168.698.992	8.459.709
Loans and advances to customers	5.618.837	1.191.107	-	-	306	-	-	6.810.250	-
Available-for-sale financial assets	17.826	62	-	-	-	521.962	-	539.850	-
Gold reserves	34.297.820	-	-	-	-	-	-	34.297.820	303.057
Property and equipment	-	-	-	-	-	-	-	-	266.322
Intangible assets	-	-	-	-	-	-	-	-	8.018
Other assets	114	159	757	1	127	40	12	1.210	62.138
Total assets	153.930.066	58.993.045	253.934	241.274	2.547.153	3.189.991	30.733	219.186.196	32.221.094
Currency in circulation	-	-	-	-	-	-	-	-	60.525.482
Due to banks	75.396.160	36.557.373	-	-	19.642	-	-	111.973.175	18.916.803
Other deposits	7.930.143	13.873.886	4.777	82.252	6.209	2.640.765	14	24.538.046	6.608.007
Due to IMF	-	-	-	-	-	10.277	-	-	10.277
Other borrowed funds	-	-	-	-	-	-	-	-	1.398.694
Other liabilities	650.567	138.443	-	768	12.512	-	13.915	816.205	93.225
Deferred income tax liability	-	-	-	-	-	-	-	-	2.724.309
Retirement benefit obligations	-	-	-	-	-	-	-	-	119.290
Equity	-	-	-	-	-	-	-	-	23.683.777
Total liabilities and equity	83.976.870	50.569.702	4.777	83.020	38.363	2.651.042	13.929	137.337.703	114.069.587
Net balance sheet position	69.953.19	8.423.343	249.157	158.254	2.508.790	538.949	16.804	81.848.493	81.848.493

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NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk (Continued)

In order to measure the sensitivity of the foreign exchange gain/loss against volatility in exchange rates, foreign currency net position values were re-calculated under the assumption of the appreciation of the TL by 10% against all foreign currencies. The hypothetic loss that would occur in the total market value of the net foreign currency positions of the Bank as of 31 December 2013 and 2012 under such an assumption is presented in the tables below:

Sensitivity of the net foreign currency position:

	31 December 2013									
	Foreign currency									
	US\$	EUR	JPY	CHF	GBP	SDR	Other	Total	TL	TOTAL
Total assets	190.187.165	91.902.512	567.304	544.714	3.371.114	3.211.782	3.320.995	293.105.586	49.099.684	342.205.270
Total liabilities	118.977.774	76.976.546	5.197	96.154	126.736	3.154.705	19.879	199.356.991	142.848.279	342.205.270
Net balance sheet position	71.209.391	14.925.966	562.107	448.560	3.244.378	57.077	3.301.116	93.748.595	(93.748.595)	-
Scenario of 10% appreciation of TL	(7.120.939)	(1.492.597)	(56.211)	(44.856)	(324.438)	(5.708)	(330.111)	(9.374.860)	-	(9.374.860)

	31 December 2012									
	Foreign currency									
	US\$	EUR	JPY	CHF	GBP	SDR	Other	Total	TL	TOTAL
Total assets	154.233.123	58.993.045	253.934	241.274	2.547.153	3.189.991	30.733	219.489.253	31.918.037	251.407.290
Total liabilities	83.976.870	50.569.702	4.777	83.020	38.363	2.651.042	13.929	137.337.703	114.069.587	251.407.290
Net balance sheet position	70.256.253	8.423.343	249.157	158.254	2.508.790	538.949	16.804	82.151.550	(82.151.550)	-
Scenario of 10% appreciation of TL	(7.025.625)	(842.334)	(24.916)	(15.825)	(250.879)	(53.895)	(1.681)	(8.215.155)	-	(8.215.155)

(e) Interest rate risk

Bank is exposed to the interest rate risk which is the probability of incurring losses due to the fluctuations in the interest rates in the market. Such an exposure can result from a variety of factors, including differences in the timing between the maturities or re-pricing of assets, liabilities, and off-balance sheet instruments. Changes in the level and shape of yield curves may also create interest rate risk.

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NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(e) Interest rate risk (Continued)

The tables below summarize the Bank's exposure to interest rate risk at 31 December 2013 and 2012, for TL and foreign currency denominated assets and liabilities. Presented in the tables are the Bank's assets and liabilities in carrying amounts classified in terms of time remaining to contractual re-pricing dates or maturity.

31 December 2013														
Foreign currency								TL						
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	FC Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	TL Total
Cash	-	-	-	-	-	-	3,754,572	-	-	-	-	-	68,021	68,021
Due from banks	17,108,317	-	-	-	-	4,359,720	21,468,037	39,081,966	-	-	-	-	12,179	39,094,145
Financial assets at fair value through profit or loss	27,535,428	27,330,827	156,257,548	-	-	-	211,123,803	1,823,514	5,367,564	1,740,023	-	-	-	8,931,101
Loans and advances to customers	1,120,201	1,661,261	10,536,054	1,641	-	-	13,319,157	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	587,727	587,727	-	-	-	-	-	-	-
Gold reserves	33,152,669	-	-	-	-	9,697,607	42,850,276	-	-	-	-	-	261,997	261,997
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	642,515	642,515
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	2,737	2,737
Other assets	-	-	-	-	-	2,014	2,014	28,497	-	-	-	-	70,671	99,168
Total assets	78,916,615	28,992,088	166,793,602	1,641	-	18,401,640	293,105,586	40,933,977	5,367,564	1,740,023	-	-	1,058,120	49,099,684
Currency in circulation	-	-	-	-	-	-	-	-	-	-	-	-	74,814,590	74,814,590
Due to banks	-	-	-	-	-	172,499,830	172,499,830	5,954	-	-	-	-	16,080,153	16,086,107
Other deposits	409,369	656,850	4,529,758	5,725,020	-	14,357,651	25,678,648	-	-	-	-	-	14,088,825	14,088,825
Due to IMF	-	-	-	-	-	-	-	-	-	-	-	-	10,551	10,551
Other borrowed funds	-	-	-	-	-	-	-	208,520	-	-	-	-	-	208,520
Other liabilities	-	-	-	-	-	1,178,513	1,178,513	-	-	-	-	-	308,063	308,063
Deferred income tax liability	-	-	-	-	-	-	-	4,422,986	-	-	-	-	4,422,986	4,422,986
Retirement benefit obligations	-	-	-	-	-	-	-	-	-	-	-	-	128,170	128,170
Equity	-	-	-	-	-	-	-	-	-	-	-	-	32,780,467	32,780,467
Total liabilities and equity	409,369	656,850	4,529,758	5,725,020	-	188,035,994	199,356,991	214,474	-	-	-	-	142,633,805	142,848,279
Net repricing gap	78,507,246	28,335,238	162,263,844	(5,723,379)	-	(169,634,354)	93,748,595	40,719,503	5,367,564	1,740,023	-	-	(141,575,685)	(93,748,595)

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NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(e) Interest rate risk (Continued)

31 December 2012													
Foreign currency										TL			
	Up to 1 month	1 to 3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	FC Total	Up to 1 month	1 to 3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	TL Total	Total
Cash	-	-	-	-	700.396	700.396	-	-	-	-	89.824	89.824	19.515.995
Due from banks	4.889.268	-	-	-	3.248.410	8.137.678	23.031.555	-	-	-	471	23.032.026	63.974.262
Financial assets at fair value through profit or loss	13.219.586	43.398.833	112.080.573	-	-	168.698.992	3.033.769	1.845.261	3.580.679	-	-	8.459.709	177.158.701
Loans and advances to customers	1.861.808	3.447.325	1.494.050	7.067	-	6.810.250	-	-	-	-	-	-	6.810.250
Available-for-sale financial assets	-	-	-	-	539.850	539.850	-	-	-	-	-	-	539.850
Gold reserves	23.225.356	-	-	-	11.072.464	34.297.820	-	-	-	-	303.057	303.057	34.600.877
Property and equipment	-	-	-	-	-	-	-	-	-	-	266.322	266.322	266.322
Intangible assets	-	-	-	-	-	-	-	-	-	-	8.018	8.018	8.018
Other assets	17	-	-	-	1.193	1.210	8.333	-	-	-	53.805	62.138	63.348
Total assets	43.196.035	46.846.158	113.574.623	7.067	15.562.313	219.186.196	26.073.657	1.845.261	3.580.679	-	721.497	32.221.094	251.407.290
Currency in circulation	-	-	-	-	-	-	-	-	-	-	60.525.482	60.525.482	60.525.482
Due to banks	106.313	-	-	-	111.866.862	111.973.175	2.264.052	-	-	-	16.652.751	18.916.803	130.889.978
Other deposits	10.680.143	826.727	5.495.626	5.919.603	1.615.947	24.538.046	6.225.569	-	-	-	382.438	6.608.007	31.146.053
Due to IMF	-	348	-	-	9.929	10.277	-	-	-	-	-	-	10.277
Other borrowed funds	-	-	-	-	-	-	1.398.694	-	-	-	-	1.398.694	1.398.694
Other liabilities	5.566	-	-	-	810.639	816.205	-	-	-	-	93.225	93.225	909.430
Deferred income tax liability	-	-	-	-	-	-	-	-	-	-	2.724.309	2.724.309	2.724.309
Retirement benefit obligations	-	-	-	-	-	-	119.290	-	-	-	119.290	119.290	119.290
Equity	-	-	-	-	-	-	-	-	-	-	23.683.777	23.683.777	23.683.777
Total liabilities and equity	10.792.022	827.075	5.495.626	5.919.603	114.303.377	137.337.703	9.888.315	-	-	-	104.181.272	114.069.587	251.407.290
Net repricing gap	32.404.013	46.019.083	108.078.997	(5.912.536)	(98.741.064)	81.848.493	16.185.342	1.845.261	3.580.679	-	(103.459.775)	(81.848.493)	-

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NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(e) Interest rate risk (Continued)

As the Bank is the monetary authority in Turkey, the interest rate sensitive balance sheet positions in the tables should be interpreted carefully. Required reserves are calculated over total domestic liabilities of banks according to the banking legislation effective in Turkey, after deductions determined in the Communiqué, No. 2005/1 on Required Reserves and deposit/participation funds accepted by banks in Turkey on behalf of foreign branches and loan amounts provided by banks and followed up in foreign branches and are deposited to the Bank. The Bank stopped paying interest over foreign currency reserve requirements as of 11 December 2008 with the announcement, dated 5 December 2008. On 23 September 2010 a major policy change has been submitted in Turkish Lira reserve requirements. To provide more active usage of reserve requirements in order to reduce the future macroeconomic and financial risk, interest payment for Turkish Lira reserve requirements has been abolished by the Bank. However, it should be noted that similar to any other central bank, the Bank, which uses short-term interest rates as its main monetary policy tool, does not actively manage the interest rate risk stemming from TL assets and liabilities considering that it might contradict the monetary policy implementations of the Bank. Nevertheless, the tables are prepared using all assets and liabilities including asset and liabilities denominated in TL to show the overall interest rate risk that the Bank is exposed to regardless of whether such risk is actively managed or not.

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

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

Within this framework, based on the average modified durations of foreign currency assets as of 31 December 2013 and 2012, the prospective decline in the market values of the assets in case of a 1% rise in the related interest rates are presented below. The 1% rise scenario is based on the assumption that the yield curves for the related currencies shift 1% upwards in all maturities simultaneously.

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

	31 December 2013			31 December 2012		
	US\$	EUR	TOTAL	US\$	EUR	TOTAL
Market value of the foreign currency assets	119.684.520	85.235.552	204.920.072	109.588.803	56.728.356	166.317.159
Effect of the scenario of 1% increase in interest rates	(1.029.847)	(784.220)	(1.814.067)	(608.242)	(670.062)	(1.278.304)

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NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(e) Interest rate risk (Continued)

The tables below set out the average effective interest rates by major currencies for monetary financial instruments at 31 December 2013 and 2012:

	31 December 2013		
	US\$ (%)	EUR (%)	TL (%)
Assets			
Due from banks	0,09	0,07	7,10
Financial assets at fair value through profit or loss			
Loans and advances to customers	0,16	0,20	9,82
Liabilities	0,46	0,47	-
Due to banks			
Other deposits	-	-	3,50
Other borrowed funds	0,25	0,43	5,00

	31 December 2012		
	US\$ (%)	EUR (%)	TL (%)
Assets			
Due from banks	0,21	0,01	5,55
Financial assets at fair value through profit or loss			
Loans and advances to customers	0,11	0,31	6,20
Liabilities	0,41	0,27	-
Due to banks			
Other deposits	-	-	5,00
Other borrowed funds	1,04	1,29	5,50

(f) Liquidity risk

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

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

(f) **Liquidity risk (Continued)**

31 December 2013

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THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity risk (Continued)

31 December 2012																
	Foreign currency							TL								
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No Maturity	FC Total	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No Maturity	TL Total
Cash	700.396	-	-	-	-	-	-	700.396	89.824	-	-	-	-	-	-	89.824
Due from banks	3.248.410	4.889.268	-	-	-	-	-	8.137.678	471	23.031.555	-	-	-	-	-	23.032.026
Financial assets at fair value through profit or loss	-	5.993.336	35.045.368	89.870.025	37.790.063	-	-	168.698.992	-	1.228.212	792.688	3.405.522	3.033.287	-	-	8.459.709
Loans and advances to customers	-	1.861.808	3.447.325	1.494.050	7.067	-	-	6.810.250	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	539.850	539.850	-	-	-	-	-	-	-	-
Gold reserves	11.072.464	23.225.356	-	-	-	-	-	34.297.820	303.057	-	-	-	-	-	-	303.057
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	266.322
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8.018
Other assets	1.193	17	-	-	-	-	-	1.210	2.732	8.333	11.044	-	-	-	40.029	62.138
Total assets	15.022.463	35.969.985	38.492.693	91.364.075	37.797.130	-	539.850	219.186.196	396.084	24.268.100	803.732	3.405.522	3.033.287	-	314.369	32.221.094
Currency in circulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to banks	-	111.973.175	-	-	-	-	-	111.973.175	32.914	18.883.889	-	-	-	-	-	60.525.482
Other deposits	11.748.585	547.505	826.727	5.495.626	5.919.603	-	-	24.538.046	6.608.007	-	-	-	-	-	-	18.916.803
Due to IMF	9.929	-	348	-	-	-	-	10.277	-	-	-	-	-	-	-	6.608.007
Other borrowed funds	-	-	-	-	-	-	-	-	-	1.398.694	-	-	-	-	-	-
Other liabilities	674	5.566	-	-	-	-	809.965	816.205	-	-	-	-	-	-	-	1.398.694
Deferred income tax liability	-	-	-	-	-	-	-	-	-	56.379	14.593	-	-	-	22.253	93.225
Retirement benefit obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.724.309	2.724.309
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	119.290	119.290
Total liabilities and equity	11.759.188	112.526.246	827.075	5.495.626	5.919.603	-	809.965	137.337.703	6.640.921	20.338.962	14.593	-	-	-	23.683.777	23.683.777
Net liquidity gap	3.263.275	(76.556.261)	37.665.618	85.868.449	31.877.527	-	(270.115)	81.848.493	(6.244.837)	3.929.138	789.139	3.405.522	3.033.287	-	(86.760.742)	(81.848.493)

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NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity risk (Continued)

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

31 December 2013								
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Currency in circulation	74.814.590	-	-	-	-	-	-	74.814.590
Due to banks	16.131.735	172.454.202	-	-	-	-	-	188.585.937
Other deposits	28.446.476	409.476	657.614	4.547.242	5.743.455	-	-	39.804.263
Due to IMF	10.551	-	-	-	-	-	-	10.551
Other borrowed funds	-	208.540	-	-	-	-	-	208.540
Total financial liabilities	119.403.352	173.072.218	657.614	4.547.242	5.743.455	-	-	303.423.881

31 December 2012								
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Currency in circulation	-	-	-	-	-	-	60.525.482	60.525.482
Due to banks	32.914	130.857.064	-	-	-	-	-	130.889.978
Other deposits	18.356.592	547.880	829.306	5.547.065	6.010.759	-	-	31.291.602
Due to IMF	9.929	-	348	-	-	-	-	10.277
Other borrowed funds	-	1.398.868	-	-	-	-	-	1.398.868
Total financial liabilities	18.399.435	132.803.812	829.654	5.547.065	6.010.759	-	60.525.482	224.116.033

(g) Operational risk

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

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

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

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

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NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(g) Operational risk (Continued)

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

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

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

(h) Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Bank using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a current market exchange.

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

	Carrying value		Fair value	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Financial assets				
Gold reserves	43.112.273	34.600.877	43.112.273	34.600.877
Due from banks	60.562.183	31.169.704	62.267.070	31.218.039
Loans and advances to customers	13.319.157	6.810.250	13.326.588	6.811.684
Financial liabilities				
Currency in circulation	74.814.590	60.525.482	74.814.590	60.525.482
Due to banks	188.585.937	130.889.978	188.585.937	130.889.978
Other deposits	39.767.473	31.146.053	39.705.559	30.920.581
Other borrowed funds	208.520	1.398.694	208.520	1.398.694

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(h) Fair value of financial instruments (Continued)

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

(i) Financial assets

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

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

(ii) Financial liabilities

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

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

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

The following table summarizes the fair values of those financial assets presented on the Bank's balance sheet based on the hierarchy of valuation technique as of 31 December 2013 and 2012.

31 December 2013	Level 1 (*)	Level 2 (**)	Level 3 (***)	Total
Financial assets at fair value through profit and loss				
Financial assets held for trading				
- Debt securities	220.054.904	-	-	220.054.904
Available-for-sale financial assets				
- Equity securities	-	587.727	-	587.727
Total assets	220.054.904	587.727	-	220.642.631

(*) Financial assets and liabilities are carried at quoted prices in an active market which are used for similar financial assets and liabilities.

(**) Other than quoted prices specified in Level I, financial assets and liabilities are carried at inputs used to determine direct or indirect observable market prices.

(***) Financial assets and liabilities are carried at inputs which are used in determining fair value of financial assets and liabilities but not based on any observable market data.

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NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(h) Fair value of financial instruments (Continued)

31 December 2012	Level 1 (*)	Level 2 (**)	Level 3 (***)	Total
Financial assets at fair value through profit and loss				
Financial assets held for trading				
- Debt securities	177.158.701	-	-	177.158.701
Available-for-sale financial assets				
- Equity securities	-	-	539.850	539.850
Total assets	177.158.701	-	539.850	177.698.551

(*) Financial assets and liabilities are carried at quoted prices in an active market which are used for similar financial assets and liabilities.

(**) Other than quoted prices specified in Level I, financial assets and liabilities are carried at inputs used to determine direct or indirect observable market prices.

(***) Financial assets and liabilities are carried at inputs which are used in determining fair value of financial assets and liabilities but not based on any observable market data.

(i) Capital management

The Bank's shareholders' equity as at 31 December 2013 and 2012 comprises:

	<u>31 December 2013</u>	<u>31 December 2012</u>
Paid-in capital	47.464	47.464
Retained earnings	31.024.507	20.746.829
Other reserves	1.708.496	2.889.484
Total Equity	32.780.467	23.683.777

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

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

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

(a) Impairment losses on loans and advances

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

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

The equity investment classified for accounting purposes as available for sale, which is held by the Bank for the long term as part of its central banking activities is valued at fair value, which is calculated as being 70% of the Bank's interest in the net asset value of the equity investment. This valuation method has previously been used to establish the appropriate price for purchase and repurchase transactions in the equity investment (Note 9).

NOTE 6 - DUE FROM BANKS

	<u>31 December 2013</u>	<u>31 December 2012</u>
Funds lent under securities purchased under agreements to resell	39.007.450	23.031.555
Time deposits	17.108.317	4.889.268
Demand deposits	4.371.899	3.248.881
Due from interbank money market operations	74.516	-
Total	60.562.182	31.169.704

Securities purchased under agreements to resell transactions are performed as part of the open market operations of the Bank.

NOTE 7 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	<u>Cost</u>	<u>Carrying Value</u>	<u>Cost</u>	<u>Carrying Value</u>
Turkish government bonds and treasury bills	9.158.267	8.931.101	8.220.041	8.459.709
Foreign government bonds and treasury bills	203.882.902	203.513.212	161.350.844	161.650.682
Corporate bonds of supranational institutions(*)	7.521.139	7.610.591	6.911.101	7.048.310
Total	220.562.308	220.054.904	176.481.986	177.158.701

(*)Corporate bonds of supranational institutions are coupon and discount securities mainly issued by the European Investment Bank and International Bank of Reconstruction and Development (World Bank Group).

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NOTE 8 - LOANS AND ADVANCES TO CUSTOMERS

	<u>31 December 2013</u>	<u>31 December 2012</u>
Loans and advances to corporate entities:		
Foreign country loans	12.023	13.539
Domestic loans	13.307.134	6.796.711
Total performing loans	13.319.157	6.810.250
Impaired loans	3.272.684	2.728.840
Gross loans and advances to customers	16.591.841	9.539.090
Less: Allowance for loan losses	(3.272.684)	(2.728.840)
Net loans and advances to customers	13.319.157	6.810.250

Movement in the allowance for loan losses is as follows:

	<u>31 December 2013</u>	<u>31 December 2012</u>
Balance at 1 January	2.728.840	2.885.238
Charge/(cancellation) for the year (*)	543.844	(156.398)
Balance at 31 December	3.272.684	2.728.840

(*) The balance mainly consists of the foreign exchange valuation on the impaired loans.

As of 31 December 2013, the restructured loans and advances of the Bank amounted to TL 12.370 thousand (31 December 2012: TL 10.332 thousand). In accordance with the restructuring agreement of the Bank regarding the above mentioned restructured loans, the Bank forwent TL 10.058 thousand (US\$ 4.712.512) (31 December 2012: TL 8.401 thousand (US\$ 4.712.512)) of its interest receivable which will accrue again if the counterparty fails to meet the conditions stated in the restructuring agreement. As of 31 December 2013 and 2012, the Bank provided allowance for such contingent interest receivable.

NOTE 9 - AVAILABLE-FOR-SALE FINANCIAL ASSETS

The details of available-for-sale-securities as of 31 December 2013 and 2012 are as follows:

Name	Nature of business	<u>Ownership (%)</u>		<u>Amount</u>	
		<u>31 December 2013</u>	<u>31 December 2012</u>	<u>31 December 2013</u>	<u>31 December 2012</u>
BIS	Banking Supervision	1,43	1,43	566.317	521.962
International Islamic Liquidity Management Corporation	Liquidity Management	13,33	13,33	21.343	17.826
SWIFT	Electronic Fund Transfer Services	0,007	0,007	67	62
Total				587.727	539.850

The shares of BIS have a par value of SDR 5.000 each and are paid up to SDR 1.250 each. The balance of SDR 3.750 per share is callable at three months' notice by the decision of the BIS Board and the total amount of commitment is disclosed under contingencies and commitments as of 31 December 2013 and 2012 (Note 27).

As of 31 December 2013 and 2012, the Bank's investment in shares issued by the BIS is valued at fair value, which is calculated as being 70% of the Bank's interest in BIS's net asset value in SDR, as of 31 December 2013 and 2012, converted to TL at the year-end TL/SDR exchange rate. This valuation method has previously been used to establish the appropriate price for purchase and repurchase transactions in BIS share.

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NOTE 9 - AVAILABLE-FOR-SALE FINANCIAL ASSETS

The movement of available-for-sale financial assets is as follows:

	<u>31 December 2013</u>	<u>31 December 2012</u>
Opening balance	539.850	534.382
Purchases	-	-
Fair value changes	47.877	5.468
Closing balance	587.727	539.850

NOTE 10 - GOLD RESERVES

	<u>31 December 2013</u>	<u>31 December 2012</u>
Gold bullion - International standards	42.850.276	34.297.820
Gold bullion and coins - Non-International standards	261.997	303.057
Total	43.112.273	34.600.877

Gold coins and bullion in the amount of TL 28.491 thousand (31 December 2012: TL 32.957 thousand) are kept in the Bank's vaults on behalf of the Turkish Treasury. Additionally, Gold bullion - International standards include TL 33.277.977 thousand (31 December 2012: TL 23.225.356 thousand) worth of gold kept by the Bank which belongs to the banks those deposited gold in order to meet their reserve requirement.

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NOTE 11 - PROPERTY AND EQUIPMENT

	Land and buildings	Equipment and vehicles	Construction in progress	Total
At 31 December 2011				
Cost	328.412	66.927	7.549	402.888
Accumulated depreciation	(129.095)	(39.046)	-	(168.141)
Net book value	199.317	27.881	7.549	234.747
Year ended as of 31 December 2012				
Opening net book value	199.317	27.881	7.549	234.747
Additions	16.087	33.746	-	49.833
Transfers	3.738	-	(3.738)	-
Disposals (net)	(1.331)	(52)	-	(1.383)
Depreciation charge (Note 26)	(6.526)	(10.349)	-	(16.875)
Closing net book value	211.285	51.226	3.811	266.322
At 31 December 2012				
Cost	345.429	98.667	3.811	447.907
Accumulated depreciation	(134.144)	(47.441)	-	(181.585)
Net book value	211.285	51.226	3.811	266.322
Year ended as of 31 December 2013				
Opening net book value	211.285	51.226	3.811	266.322
Additions	365.233	45.713	408	411.354
Transfers	-	-	-	-
Disposals (net)(*)	-	(1.045)	-	(1.045)
Depreciation charge (Note 26)	(16.610)	(17.506)	-	(34.116)
Closing net book value	559.908	78.388	4.219	642.515
At 31 December 2013				
Cost	702.394	166.442	4.219	873.055
Accumulated depreciation	(142.486)	(88.054)	-	(230.540)
Net book value	559.908	78.388	4.219	642.515

(*) In the year 2013 the Bank has disposed property and equipment with net book value of TL 1.045 thousand for grant and proceeds of TL 140 thousand respectively.

NOTE 12 - INTANGIBLE ASSETS

	Cost	Accumulated amortisation	Net book value
Opening balance at 1 January 2012	13.988	(5.814)	8.174
Additions/(amortization charge for the period)	1.148	(1.302)	(154)
Disposals	(81)	79	(2)
Balance at 31 December 2012	15.055	(7.037)	8.018
Opening balance at 1 January 2013	15.055	(7.037)	8.018
Additions/(amortization charge for the period)	1.974	(7.242)	(5.268)
Disposals	(4.407)	4.394	(13)
Balance at 31 December 2013	12.622	(9.885)	2.737

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

NOTE 13 - OTHER ASSETS

	<u>31 December 2013</u>	<u>31 December 2012</u>
Raw material and work-in-progress	38.059	26.511
Charges and commissions due from Treasury (*)	17.150	11.044
Electronic Fund Transfer ("EFT") commission income accrual	10.796	8.317
Prepaid expenses	961	849
Other materials and other stores	4.415	-
Other	29.801	16.627
Total	101.182	63.348

(*) With the decision of the Board of the Bank numbered 9525/19124 and dated 4 October 2011, Regulation of Tariffs was amended. According to these amendments, starting from 12 October 2011, commissions, charges and fees were started to be collected from the Prime Ministry Undersecretariat of Treasury ("Treasury") due to the transactions with the public administrations within the scope of overall budget.

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

NOTE 14 - CURRENCY IN CIRCULATION

	<u>2013</u>	<u>2012</u>
Balance at 1 January	60.525.482	55.103.174
Banknotes issued into circulation	41.353.594	30.700.615
Banknotes withdrawn from circulation and destroyed	(27.064.486)	(25.278.307)
Balance at 31 December	74.814.590	60.525.482

NOTE 15 - DUE TO BANKS

	<u>31 December 2013</u>	<u>31 December 2012</u>
Deposits for reserve requirement obligations	156.375.051	119.100.684
Current accounts of banks	32.210.886	9.508.365
Funds borrowed under securities sold under repurchase agreements	-	2.261.310
Deposits of banks for foreign currency deposit market	-	19.619
Total	188.585.937	130.889.978

Required reserves are calculated over total domestic liabilities of banks according to the banking legislation effective in Turkey, after deductions determined in the Communiqué, No. 2005/1 on Required Reserves and deposit/participation funds accepted by banks in Turkey on behalf of foreign branches and loan amounts provided by banks and followed up in foreign branches and are deposited to the Bank. Furthermore, the same rates determined in accordance with the same Communiqué have been used. The Bank stopped paying interest over foreign currency reserve requirements as of 11 December 2008 with the announcement, dated 5 December 2008. The Bank stopped paying interest over Turkish Lira reserve requirements as of 14 October 2010 with the announcement, dated 23 September 2010.

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NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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NOTE 16 - OTHER DEPOSITS

	<u>31 December 2013</u>	<u>31 December 2012</u>
Deposits by citizens abroad	11.330.375	12.819.726
Deposits of Turkish Treasury	27.393.668	16.391.165
Deposits of state owned funds	919.893	1.867.363
Deposits of state owned entities	123.537	67.799
Total	39.767.473	31.146.053

Deposits by citizens abroad are time deposits with maturities varying from one to three years; other deposits; including deposit of Turkish Treasury; held by government related institutions are interest-free deposits except for the demand deposits amounting to TL 8.237.253 thousand (31 December 2012: TL 13.501.393 thousand).

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

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	Interest rate (%)	TL	Interest rate (%)	TL
EUR	%0,25-%1,00	10.828.860	0,25-1,00	12.213.081
US\$	%0,25-%1,00	403.827	0,25-1,00	519.436
CHF	%0,25-%1,00	92.396	0,25-1,00	82.188
GBP	%0,25-%1,00	5.292	0,25-1,00	5.021
Total		11.330.375		12.819.726

NOTE 17 - DUE TO IMF

Due to IMF is denominated in SDR. Due to IMF includes borrowings related to Turkey's IMF quota for the year ending 31 December 2013 and 2012. As of 31 December 2013 and 2012, borrowings related to Turkey's IMF quota are non-interest bearing with no stated maturity.

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

As of 8 June 2011, the country quota of Turkey increased by SDR 264.500.000 reaching SDR 1.455.800.000.

NOTE 18 - OTHER BORROWED FUNDS

	<u>31 December 2013</u>	<u>31 December 2012</u>
Funds borrowed from interbank money market	208.520	1.398.694
Total	208.520	1.398.694

NOTE 19 - OTHER LIABILITIES

	<u>31 December 2013</u>	<u>31 December 2012</u>
Import transfer orders and deposits	931.013	776.883
Foreign money transfers with future value date	200.548	-
Taxes and withholdings payable	49.804	54.355
Bills and money transfer payables	13.560	5.566
Expense accruals	2.976	7.705
Blocked accounts for pending court cases	21.501	3.453
Other	20.760	46.875
Total	1.240.162	894.837

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

NOTE 20 - TAXATION

	<u>31 December 2013</u>	<u>31 December 2012</u>
Corporate tax	889.835	743.353
Prepaid taxes	(643.421)	(728.760)
Income taxes liability- net	246.414	14.593

Corporate 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 period.

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 in 2013 is 20% (2012: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2013 is 20%. (2012: 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.

As of 31 December 2013 and 2012, income taxes are summarized as follows;

	<u>31 December 2013</u>	<u>31 December 2012</u>
- Corporate tax	889.835	743.353
- Deferred tax	2.003.457	(1.166.038)
Tax payable/(receivable)	2.893.292	(422.685)

Deferred taxes

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 and they are given below.

For calculation of deferred tax asset and liabilities, the rate of 20% (2012: 20%) is used.

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NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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NOTE 20 - TAXATION (Continued)

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

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Retirement benefit obligations	128.170	119.290	25.634	23.858
Net differences between carrying value and tax base of property and equipment and intangible assets	42.805	29.982	8.561	5.996
Other	11.956	9.923	2.391	1.985
Total Assets	182.931	159.195	36.586	31.839
Valuation account to income statement (*)	(22.164.507)	(13.655.427)	(4.432.901)	(2.731.085)
Fair value differences of financial assets	(533.422)	(494.426)	(26.671)	(24.721)
Difference in the calculated interest accrual of deposits using effective interest rate method	-	(1.710)	-	(342)
Total Liabilities	(22.697.929)	(14.151.563)	(4.459.572)	(2.756.148)
Net Liability	(22.514.998)	(13.992.368)	(4.422.986)	(2.724.309)

(*) In accordance with the 61st article 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 currency 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 taken into account as income and expense in the determination of corporate tax base. Realized foreign exchange differences originated from foreign currency sales and purchase transactions are reflected to the income statement at the date of transaction.

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

	31 December 2013	31 December 2012
Balance at 1 January	2.724.309	3.895.923
Deferred income tax charge to income statement, net	2.003.457	(1.166.038)
Deferred income tax charge to equity	(304.780)	(5.576)
Balance at 31 December	4.422.986	2.724.309

The reconciliation for taxation charge is stated below:

	2013	2012
Profit before income taxes	16.092.221	(698.767)
Tax charge calculated at a tax rate of 20%	3.218.444	(139.753)
Income exempt from taxation	(366.068)	(295.638)
Non-deductible expenses	40.916	12.706
Income tax expense / (income)	2.893.292	(422.685)

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NOTE 21 - RETIREMENT BENEFIT OBLIGATIONS

Under Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated. In addition, according to the 60.Article and the laws numbered 4447, dated 25 August 1999 and numbered 2422, dated 6 March 1981 of the Social Security Law still in force, numbered 506, the employees who are entitled to leave the work by receiving termination benefits are required to pay statutory termination benefits. Some transitional provisions related to the pre-conditions of the retirement were removed from the law with the amendment on 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of TL 3.254 (2012: TL 3.033, 98) for each year of service.

The liability is not funded, as there is no funding requirement. The reserve has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of its employees. IAS 19 ("Employee Benefits") states that, the Bank's obligations are developed within the framework of defined benefit plans by using the actuarial valuation method. The provisions at the respective balance sheet dates have been calculated based on the following actuarial assumptions:

	<u>31 December 2013</u>	<u>31 December 2012</u>
Discount rate (%)	3,58	2,37
Rate to estimate the probability of retirement (%)	99	99

Additionally, the principal actuarial assumption is that the maximum liability of TL 3,254 for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 3,438 effective from 1 January 2014 (1 January 2013: TL 3.129,24), has been taken into consideration in calculating the reserve for the retirement benefit obligation of the Bank.

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

	<u>2013</u>	<u>2012</u>
At 1 January	119.290	91.477
Service cost	12.107	29.577
Interest cost	2.827	2.168
Paid during the year	(2.942)	(3.932)
Actuarial (gain) / loss	(3.112)	-
Balance at 31 December	128.170	119.290

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NOTE 22 - NET INTEREST INCOME

	<u>2013</u>	<u>2012</u>
Interest income:		
Financial assets at fair value through profit or loss	2.531.419	2.820.599
Securities purchased under agreements to resell	1.796.491	2.602.842
Loans and advances to customers	35.343	39.183
Due from banks	15.349	21.601
Interest received from interbank money market transactions	10.810	14
Total	4.389.412	5.484.239
Interest expense:		
Interest expense due to Treasury(*)	433.697	346.550
Other Deposits	127.701	195.156
Interest paid to the interbank money market transactions	16.107	21.714
Securities sold under agreements to repurchase	8.857	323.387
Due to IMF	2.530	2.818
Due to banks	21	4.085
Amortization loss on financial assets at fair value through profit or loss	-	121.124
Total	588.913	1.014.834
Net interest income	3.800.499	4.469.405

(*)With the amendment in article 41 of the Central Bank Law numbered 1211 and dated 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 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.

NOTE 23 - NET FEE AND COMMISSION INCOME

	<u>2013</u>	<u>2012</u>
Fee and commission income:		
EFT commission income	173.351	132.157
Commissions due from Treasury (**)	133.278	110.851
Commissions charged from the bank teller operations center	3.980	3.106
Commissions from foreign exchange and effective market transactions	142	737
Other	42.647	18.725
Total	353.398	265.576
Fee and commission expense:		
Correspondent bank accounts	4.826	4.669
Other	11.401	9.006
Total	16.227	13.675
Net fee and commission income	337.171	251.901

(**) With the decision of the Board of the Bank numbered 9525/19124 and dated 4 October 2011, Tariffs Regulations has been amended. According to these amendments, starting from 12 October 2011, commissions, charges and fees have been started to be collected from the Prime Ministry Undersecretariat of Treasury due to the transactions with the public administrations within the scope of overall budget.

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NOTE 24 - DIVIDEND INCOME

	<u>2013</u>	<u>2012</u>
Available-for-sale securities	6.903	1.583
Total	6.903	1.583

NOTE 25 - FOREIGN EXCHANGE GAINS, NET

	<u>2013</u>	<u>2012</u>
Foreign exchange gains/(losses), net		
- translation gains/(losses), net	10.036.949	(5.801.107)
- transaction gains, net	5.434.322	1.961.887
Total	15.471.271	(3.839.220)

As of 31 December 2013 and 2012, translation gains/(losses) include the unrealized foreign exchange gains/(losses) and the unrealized gains on gold reserves. In the statutory financial statements of the Bank, the unrealized foreign exchange gains/(losses) and unrealized gains on gold reserves are excluded from the statutory net profit and corporate tax base and monitored in a temporary account on the balance sheet, namely "Valuation Account", in accordance with the Central Bank Law in Turkey.

NOTE 26 - OTHER OPERATING EXPENSES

	<u>2013</u>	<u>2012</u>
Wages and salaries	564.945	514.388
Administrative expenses	130.292	127.085
Social security costs	45.638	62.998
Depreciation and amortization (Notes 11 and 12)	41.358	18.177
Other	15.668	2.635
Total	797.901	725.283

The average number of personnel employed by the Bank during the year 2013 was 4.648 (2012: 4.502).

NOTE 27 - COMMITMENTS AND CONTINGENT LIABILITIES

	<u>31 December 2013</u>	<u>31 December 2012</u>
Guarantees taken	28.702.394	24.386.573
Uncalled BIS shares (Note 9)	98.685	82.608
Total	28.801.079	24.469.181

As of 31 December 2013, there are a number of legal proceedings outstanding against the Bank amounting to TL 2.597 thousand, US\$ 64.596.952 and EUR 222.397 (31 December 2012: TL 4.010 thousand, US\$ 64.741.281 and EUR 496.939). No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise in relation with above mentioned legal proceedings.

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NOTE 28 - SHARE CAPITAL

The shareholder structure of the Bank as at 31 December 2013 and 2012 is as follows:

	31 December 2013		31 December 2012	
	TL	Share %	TL	Share %
Turkish Treasury	14	55	14	55
T.C. Ziraat Bankası A.Ş.	5	19	5	19
T.C.M.B Mensupları Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı	1	5	1	5
Türkiye Garanti Bankası A.Ş.	1	3	1	3
Türkiye İş Bankası A.Ş.	1	2	1	2
Others	3	16	3	16
Paid-in capital	25	100	25	100
Inflation adjustment on paid-in capital	47.439		47.439	
Total paid-in capital	47.464		47.464	

According to 5th article of the Central Bank Law, the capital of the Bank is TL 25 thousand and is divided into 250.000 shares, with a value of TL 0,1 each. The capital may be increased with the approval of the Turkish Government. The shares are divided into (A), (B), (C), and (D) shares. The (A) group shares belongs solely to the Turkish Treasury while (B) shares belong to national banks, (C) shares belong to banks other than the national banks and to companies possessing certain privileges and (D) shares belong to Turkish commercial institutions and to legal and real persons of Turkish nationality.

NOTE 29 - RETAINED EARNINGS AND LEGAL RESERVES

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

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

- 20% to the reserve fund,
- 6% over the nominal value of the equity shares to the shareholders as an initial dividend,
- After deducting the above-stated percentages a maximum of 5% of the remaining amount; so as not to exceed two months salaries; to the Bank personnel and 10% percent to the extraordinary reserves,
- Subject to the decision of the General Assembly a maximum of 6% over the nominal value of the equity shares to the shareholders as the secondary dividend.

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

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NOTE 30 - CASH AND CASH EQUIVALENTS

	<u>31 December 2013</u>	<u>31 December 2012</u>
Cash	3.822.593	790.220
Due from banks (excluding accrued interest)	60.550.324	31.137.617
Total	64.372.917	31.927.837

NOTE 31 - RELATED PARTY BALANCES AND TRANSACTIONS

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

(i) Balances with related parties

Balances with related parties represent balances with shareholders and state controlled entities.

	<u>31 December 2013</u>	<u>31 December 2012</u>
Assets:		
Financial assets at fair value through profit or loss ⁽¹⁾	8.931.101	8.459.709
Due from banks ⁽²⁾	5.781.219	16.793.241
Liabilities:		
Due to banks ⁽³⁾	106.082.288	74.801.268
Other deposits ⁽⁴⁾	28.437.098	18.326.327

⁽¹⁾ Includes government bonds issued by Turkish Treasury.

⁽²⁾ Includes receivables from shareholders as part of securities purchased under agreements to resell and interbank foreign currency transactions.

⁽³⁾ Includes required reserve deposits of shareholders.

⁽⁴⁾ Includes deposits of state controlled entities and Turkish Treasury.

(ii) Transactions with related parties

	<u>2013</u>	<u>2012</u>
Salaries and other short-term benefits to key management	5.012	4.424
Interest income ⁽¹⁾	628.248	818.197
Interest expense ⁽²⁾	433.697	346.550
Fee and commission income ⁽³⁾	204.175	168.922
Dividends paid to shareholders	2.911.297	5.752.588
Dividends paid to employees	9.953	8.785

⁽¹⁾ Includes interest income of government bonds issued by Turkish Treasury.

⁽²⁾ Includes interest expense paid on deposits of shareholders.

⁽³⁾ Includes Electronic Fund Transfer commissions from shareholders of the Bank and commission and charges due from Treasury and state controlled entities.

NOTE 32 – SUBSEQUENT EVENTS

None.