

**THE CENTRAL BANK OF THE  
REPUBLIC OF TURKEY  
FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2014  
TOGETHER WITH AUDITOR’S REPORT**

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

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

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the Central Bank of the Republic of Turkey (the "Bank") which comprise the balance sheet as of 31 December 2014 and statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

**The Bank Management's responsibility for the financial statements**

The Bank Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Central Bank of the Republic of Turkey and related legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the entity management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

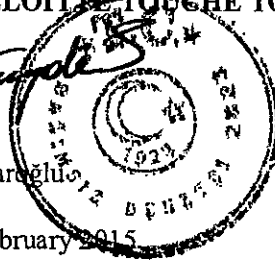
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Central Bank of the Republic of Turkey and related legislation.

## Additional Paragraph for English Translation

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

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

Müjde Şehsuvaroglu  
Partner  
İstanbul, 27 February 2015



# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## BALANCE SHEETS AS OF 31 DECEMBER 2014 AND 2013

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

	Note (Section II)	Audited 31 December 2014	Audited 31 December 2013
<b>1. GOLD RESERVES</b>	<b>1</b>	<b>47.307.178</b>	<b>42.850.276</b>
1.1 International Standards		47.307.178	42.850.276
<b>2. FOREIGN CURRENCY BANKNOTES</b>		<b>2.091.972</b>	<b>3.754.572</b>
<b>3. FOREIGN CORRESPONDENTS</b>	<b>2</b>	<b>245.424.135</b>	<b>232.627.024</b>
3.1 Foreign Currency Securities		228.715.091	211.123.803
3.2 Deposit		12.811.106	17.107.759
3.3 Other		3.897.938	4.395.462
<b>4. RESERVE TRANCHE POSITION</b>	<b>10</b>	<b>379.048</b>	<b>370.973</b>
<b>5. SECURITIES PORTFOLIO</b>	<b>3</b>	<b>9.217.474</b>	<b>8.931.101</b>
5.1 Government Domestic Debt Securities		9.166.544	8.931.101
5.2 Other		50.930	-
<b>6. RECEIVABLES DUE TO MONETARY POLICY OPERATIONS</b>	<b>3</b>	<b>46.454.162</b>	<b>39.081.966</b>
6.1 Open Market Operations		46.254.099	39.007.450
6.2 Interbank Money Market Operations		200.063	74.516
<b>7. DOMESTIC CORRESPONDENTS</b>	<b>4</b>	<b>-</b>	<b>-</b>
<b>8. LOANS</b>	<b>5</b>	<b>19.351.600</b>	<b>13.329.215</b>
8.1 Domestic Loans		19.328.800	13.307.134
8.1.1 Discount Loans		19.328.800	13.307.134
8.1.2 Other Loans		-	-
8.2 Foreign Loans		22.800	22.081
<b>9. EQUITY PARTICIPATIONS</b>	<b>6</b>	<b>628.430</b>	<b>587.727</b>
<b>10. TREASURY LIABILITIES DUE TO SDR ALLOCATION</b>	<b>10</b>	<b>3.600.846</b>	<b>3.524.139</b>
<b>11. FIXED ASSETS (Net)</b>	<b>7</b>	<b>649.458</b>	<b>641.033</b>
<b>12. LOANS UNDER LEGAL FOLLOW-UP (Net)</b>	<b>5</b>	<b>-</b>	<b>-</b>
12.1 Loans Under Legal Follow-Up		3.549.661	3.262.626
12.2 Provision of Loans Under Legal Follow-Up (-)		(3.549.661)	(3.262.626)
<b>13. DEFERRED TAX ASSETS</b>	<b>14</b>	<b>8.106</b>	<b>7.524</b>
<b>14. OTHER ASSETS</b>	<b>8</b>	<b>1.788.965</b>	<b>1.093.742</b>
14.1 Gold Reserve in Non-International Standards	<b>1</b>	284.125	261.997
14.2 Coins		67.257	68.021
14.3 Income Accruals		31.750	29.055
14.4 Other		1.405.833	734.669
<b>TOTAL ASSETS</b>		<b>376.901.374</b>	<b>346.799.292</b>

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

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## BALANCE SHEETS AS OF 31 DECEMBER 2014 AND 2013

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

	Note (Section II)	Audited 31 December 2014	Audited 31 December 2013
<b>1. CURRENCY IN CIRCULATION</b>	<b>9</b>	<b>85.118.222</b>	<b>74.814.590</b>
<b>2. PAYABLES DUE TO MONETARY POLICY OPERATIONS</b>	<b>3</b>	<b>32.307</b>	<b>208.520</b>
2.1 Open Market Operations		-	-
2.2 Interbank Money Market Operations		32.307	208.520
2.3 Liquidity Bills		-	-
<b>3. DEPOSITS</b>	<b>11</b>	<b>241.493.452</b>	<b>228.325.479</b>
3.1 Public Sector		22.973.521	27.488.712
3.1.1 Treasury, General and Annexed Budget Administrations		22.935.795	27.365.175
3.1.2 Other		37.726	123.537
3.2 Banking Sector		211.478.898	188.585.938
3.2.1 Domestic Banks		39.141.834	32.204.713
3.2.2 Foreign Banks		2.095	5.734
3.2.3 Reserve Requirements		172.334.420	156.375.052
3.2.3.1 Cash		135.407.993	123.097.075
3.2.3.2 Gold		36.926.427	33.277.977
3.2.4 Other		549	439
3.3 Other Deposits		7.041.033	12.250.829
3.3.1 Foreign Exchange Deposits By Citizens Abroad		5.846.583	11.320.996
3.3.2 International Institutions		55.944	9.939
3.3.3 Funds		256.166	776.293
3.3.4 Other		882.340	143.601
<b>4. FOREIGN CORRESPONDENTS</b>		<b>868</b>	<b>799</b>
<b>5. RESERVE TRANCHE POSITION</b>	<b>10</b>	<b>379.048</b>	<b>370.973</b>
<b>6. SDR ALLOCATION</b>	<b>10</b>	<b>3.600.846</b>	<b>3.524.139</b>
<b>7. TAX LIABILITY</b>	<b>14</b>	<b>1.527.933</b>	<b>939.639</b>
7.1 Taxes Payable		1.527.933	939.639
<b>8. PROVISIONS</b>	<b>13</b>	<b>385.247</b>	<b>371.226</b>
<b>9. SHARE CAPITAL AND LEGAL RESERVES</b>	<b>12</b>	<b>10.947.817</b>	<b>9.291.339</b>
9.1 Paid-in Share Capital		25	25
9.2 Adjustment to Paid-in Share Capital		46.209	46.209
9.3 Legal Reserves		10.901.583	9.245.105
<b>10. VALUATION ACCOUNT</b>	<b>15</b>	<b>22.857.074</b>	<b>22.164.507</b>
<b>11. PROFIT FOR THE YEAR</b>		<b>8.641.642</b>	<b>5.028.771</b>
<b>12. OTHER LIABILITIES</b>	<b>16</b>	<b>1.916.918</b>	<b>1.759.310</b>
12.1 Treasury Gold		30.898	28.491
12.2 Letter of Credits		938.770	931.013
12.3 Expense Accruals		3.199	3.588
12.4 Other		944.051	796.218
<b>TOTAL LIABILITIES</b>		<b>376.901.374</b>	<b>346.799.292</b>

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

**THE CENTRAL BANK OF THE REPUBLIC OF TURKEY****STATEMENT OF PROFIT OR LOSS  
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013**

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

	Note	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
	(Section III)		
<b>I - INTEREST INCOME</b>	<b>1</b>	<b>6.346.312</b>	<b>4.389.412</b>
<b>II - INTEREST EXPENSE</b>	<b>2</b>	<b>(1.009.529)</b>	<b>(587.203)</b>
<b>III - NET INTEREST INCOME / (EXPENSE)</b>		<b>5.336.783</b>	<b>3.802.209</b>
<b>IV - NET COMMISSION AND SERVICE INCOME</b>		<b>394.655</b>	<b>337.171</b>
- Commission and Service Income		404.816	353.398
- Commission and Service Expenses		(10.161)	(16.227)
<b>V - NON-INTEREST INCOME</b>	<b>3</b>	<b>7.425.505</b>	<b>5.518.790</b>
<b>VI - NON-INTEREST EXPENSES</b>	<b>4</b>	<b>(3.056.116)</b>	<b>(3.741.132)</b>
<b>VII - PROFIT BEFORE TAXATION {III+IV+V-VI}</b>		<b>10.100.827</b>	<b>5.917.038</b>
	<b>Section II</b>		
<b>VIII - TAXATION</b>	<b>Note 14</b>	<b>1.459.185</b>	<b>888.267</b>
-Tax Provision		1.461.675	889.835
-Deferred Tax Income/(Expense)		(2.490)	(1.568)
<b>IX - NET PROFIT FOR THE YEAR {VII-VIII}</b>		<b>8.641.642</b>	<b>5.028.771</b>

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

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## OFF-BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2014 AND 2013

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

	Audited 31 December 2014	Audited 31 December 2013
<b>OFF - BALANCE SHEET COMMITMENTS</b>		
<b>A. Securities in Custody</b>	<b>102.668.964</b>	<b>112.092.787</b>
1. Marketable Securities in Custody - Free (*)	87.231.733	97.553.180
2. Deal Securities (*)	170.010	270.670
3. Marketable Security Exchange Market Banks Guarantee Letters Depot	351.751	320.919
4. Government Debt Security Depot of Savings Deposits Insurance Fund, Exempt From Income Tax	13.410.303	12.035.938
5. Other (*)	1.505.167	1.912.080
<b>B. Guarantees Received</b>	<b>26.573.356</b>	<b>20.721.846</b>
1. Government Debt Security Depots of Banks under Foreign Exchange Market Guarantee (*)	1.667.203	2.247.469
2. Bonds as Interbank Money Market Operations Guarantee (*)	5.297.190	7.557.517
3. Government Debt Security Depots Accepted as Guarantee for Open Market Operations	10.586.844	4.762.389
4. Intermediary Institutions' Pledged Government Debt Security Depots	26.020	28.725
5. Other (*)	8.996.099	6.125.746
<b>C. Obsolete and Reserve Banknotes</b>	<b>53.488.737</b>	<b>36.965.150</b>
1. Reserve Banknotes - Head Office	9.820.562	6.325.282
2. Reserve Banknotes - Branches, Banknotes Depots and Other Units	43.191.499	30.272.444
3. Obsolete Banknotes - Head Office and Branches	476.676	367.424
<b>D. Other</b>	<b>302.226.686</b>	<b>282.374.991</b>
1. Repurchase Agreements Pledged Account (*)	2.084.308	3.397.112
2. Bank Treasury Bonds Portfolio and Security Depots Received Through Repo Transactions	50.306.109	47.832.545
3. Customer Transactions Portfolio - Takasbank and MKK (*)	248.991.571	230.223.749
4. Branches' Marketable Security Portfolio in Electronic Security Fund Transfer System	54.761	54.761
5. Stock Exchange Market Members' Treasury Bond Depot	32.373	50.605
6. Other (*)	757.564	816.219
<b>E. Unpublished Marketable Securities Depots in Electronic Marketable Security Transfer Recording</b>	<b>401.344.953</b>	<b>389.752.638</b>
<b>TOTAL (A+B+C+D+E)</b>	<b>886.302.696</b>	<b>841.907.412</b>

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

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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

	Share Capital	Capital Reserves Due to Inflation	Legal Reserves	Equity Participations Value Increase Fund(*)	Retirement Pay Actuarial Gains / (Losses) (*)	Retained Earnings/ (Accumulated Deficit) (*)	Net Profit For the Year	Total Shareholders' Equity
<b>Balance at 1 January 2013</b>	25	46.209	7.819.983	-	-	4.346.373	-	12.212.590
The effect of the changes in accounting policies (Refer to Note. I.								
A. (3)) (*)	-	-	-	-	-	(13.705)	-	(13.705)
Fair Value Increase / (Decrease) in Equity Participations	-	-	-	506.742	-	-	-	506.742
Retirement Pay Actuarial Gains / (Losses)	-	-	-	-	2.490	-	-	2.490
<b>Profit Distribution:</b>								
Dividends	-	-	-	-	-	(2.921.251)	-	(2.921.251)
- Treasury	-	-	-	-	-	(2.911.294)	-	(2.911.294)
- Other Shareholders	-	-	-	-	-	(3)	-	(3)
- Employees	-	-	-	-	-	(9.954)	-	(9.954)
Transferred to Equity Reserves	-	-	1.425.122	-	-	(1.425.122)	-	-
Net Profit for the Year	-	-	-	-	-	5.028.771	5.028.771	5.028.771
<b>Balance at 31 December 2013</b>	25	46.209	9.245.105	506.742	2.490	(13.705)	5.028.771	14.815.637
<b>Balance at 1 January 2014</b>	25	46.209	9.245.105	506.742	2.490	5.015.066	-	14.815.637
Fair Value Increase / (Decrease) in Equity Participations	-	-	-	36.238	-	-	-	36.238
Retirement Pay Actuarial Gains / (Losses)	-	-	-	-	-	-	-	-
<b>Profit Distribution:</b>								
Dividends	-	-	-	-	-	(3.369.679)	-	(3.369.679)
- Treasury	-	-	-	-	-	(3.362.239)	-	(3.362.239)
- Other Shareholders	-	-	-	-	-	(3)	-	(3)
- Employees	-	-	-	-	-	(7.437)	-	(7.437)
Transferred to Equity Reserves	-	-	1.656.478	-	-	(1.656.478)	-	-
Net Profit for the Year	-	-	-	-	-	8.641.642	8.641.642	8.641.642
<b>Balance at 31 December 2014</b>	25	46.209	10.901.583	542.980	2.490	(11.091)	8.641.642	20.123.838

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

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



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

**PROFIT DISTRIBUTION TABLES FOR THE  
YEARS ENDED 31 DECEMBER 2014 AND 2013**

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

	<b>Audited 1 January - 31 December 2014 (*)</b>	<b>Audited 1 January - 31 December 2013(**)</b>
<b>A. DISTRIBUTION OF PROFIT FOR THE YEAR</b>		
1. Profit for the year	<b>10.100.827</b>	<b>5.917.038</b>
2. Taxes Payable and Legal Liabilities	<b>(1.459.185)</b>	<b>(888.267)</b>
- Corporate Tax (Income Tax)	(1.461.675)	(889.835)
- Income Tax	-	-
- Other Taxes and Legal Liabilities	2.490	1.568
<b>NET PROFIT FOR THE YEAR</b>	<b>8.641.642</b>	<b>5.028.771</b>
3. Prior Year Losses	-	-
4. Legal Reserves	-	(1.656.478)
5. Other Legal Funds	-	(2.614)
<b>DISTRIBUTABLE PROFIT FOR THE YEAR</b>	<b>-</b>	<b>3.369.679</b>
6. Dividends to Shareholders	-	(3)
7. Dividends to Employees	-	(7.437)
<b>DUE TO REPUBLIC OF TURKEY PRIME MINISTRY UNDERSECRETARIAT OF TREASURY ("TURKISH TREASURY") ACCORDING TO THE CENTRAL BANK LAW NO. 1211</b>	<b>-</b>	<b>3.362.239</b>

(\*) As of the date of these financial statements, the Board of the Bank has not declared its decision related to the distribution of the profit for the year 2014. However, the corporate tax was calculated based on the assumption that employees will be paid 1 month of salary as dividend. The profit appropriation of the Bank for the year 2014 will be decided based on the resolution of the General Assembly to be held on 9 April 2015.

(\*\*) In accordance with the resolution of the General Assembly, dated 17 April 2014, the Bank allocated reserves according to Article 60 of the Banking Law, and the remaining amount was transferred to Turkish Treasury after distribution of dividends to shareholders and employees.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENT OF CASH FLOWS FOR THE  
YEARS ENDED 31 DECEMBER 2014 AND 2013

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

	Note (Section II, III, IV)	Audited 1 January – 31 December 2014	Audited 1 January – 31 December 2013
<b>Cash flows (used in) / from operations</b>			
Net profit/ (loss) for the year		8.641.642	5.028.771
Adjustments:			
Depreciation of fixed assets and amortization expenses	III, 4	30.592	24.406
Retirement pay provision	II,13	19.649	11.822
Net interest income		(5.336.783)	(3.802.209)
Interest received		6.685.038	4.036.877
Interest paid		(866.618)	(761.830)
Dividend income		(5.361)	(6.903)
Net commission income		(394.655)	(337.171)
Commissions received, net		402.121	344.044
Commissions paid		(10.160)	(16.686)
Taxation income/expense	II,14	1.459.185	888.267
Increase/decrease in value of financial assets, net		(1.082.159)	1.749.097
(Profit) / loss resulting from fixed asset sales		(86)	-
Provision expense for securities transportation		-	165.700
Other		(270.970)	533.803
<b>Cash flows from operating income before changes in operating assets and liabilities</b>		<b>9.271.435</b>	<b>7.857.988</b>
<b>Changes in operating assets and liabilities:</b>			
Changes in gold reserves		(3.650.857)	(10.048.155)
Changes in marketable securities		(8.875.091)	(7.370.343)
Net change in loans and advances given		(5.182.340)	(4.669.427)
Net change in other assets		(671.335)	44.695
Net change in currency in circulation		10.303.632	14.289.108
Changes in liabilities due to money market operations		(176.200)	(3.451.000)
Net change in deposits		3.913.598	41.421.029
Net change in other liabilities		(49.475)	(2.047.565)
Taxes paid		(1.427.732)	(658.013)
Retirement payments made	II,13	(5.628)	(2.942)
<b>Cash flows from / (used in) operations</b>		<b>3.450.007</b>	<b>35.365.375</b>
<b>Cash flows related to investments activities</b>			
Fixed asset purchases		(39.558)	(412.920)
Cash generated from fixed asset sales		626	-
Dividend received	III,3	5.361	6.903
<b>Cash flows used in investments activities</b>		<b>(33.571)</b>	<b>(406.017)</b>
<b>Cash flows related to financing activities</b>			
Dividends paid		(3.369.679)	(2.921.251)
<b>Net cash used in financing activities</b>		<b>(3.369.679)</b>	<b>(2.921.251)</b>
<b>Effect of changes in exchange rates on cash and cash equivalents</b>		<b>833.423</b>	<b>107.995</b>
<b>Changes in cash and cash equivalents</b>		<b>880.180</b>	<b>32.146.104</b>
<b>Cash and cash equivalents at the beginning of the year</b>	IV,2	<b>64.396.480</b>	<b>32.250.376</b>
<b>Cash and cash equivalents at the end of the year</b>	IV,2	<b>65.276.660</b>	<b>64.396.480</b>

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

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2014

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

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

**A. Notes and explanations related to current year**

(1) The financial statements of the Central Bank of the Republic of Turkey ("the Bank") as of 31 December 2014 have not yet been approved by the Board of the Bank.

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

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

**i. Basis of Presentation of the Financial Statements**

The Bank maintains its books of account and prepares its financial statements in accordance with the Turkish Commercial Code numbered 6102 and Tax Legislation and Law of the Central Bank of the Republic of Turkey numbered 1211 ("Central Bank Law"). According to the 57th and 58th articles of the Central Bank Law, the accounting period of the Bank is the calendar year. At the end of each calendar year, the Bank submits its balance sheet and income statement to the Prime Ministry along with the annual report prior to the General Assembly meeting and publishes the balance sheet in the Official Gazette.

**ii. Accounting Principles**

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

**a. Accounting of Income and Expenses**

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

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

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

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

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

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2014

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

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

**b. Foreign Currency Transactions**

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

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

**c. Gold Reserves**

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

Gold is initially recorded with the prices prevailing at the date of acquisition and is valued with fair value in subsequent periods. Fair value is determined monthly based on the average of the gold price quoted at the London Bullion market exchange at 10:30 and 15:00 (2014: 1.199,25 US Dollars/2013: 1.201,50 US Dollars) on the basis of 1 ounce being equal to 31,1035 grams and presented on the balance sheet after being converted to Turkish Lira. Fair value changes of gold reserves both arising from changes in price and exchange rates are accounted for as unrealized gains or losses under "Valuation Account" in accordance with the Article 61 of the Central Bank Law.

As of the end of year 2014, gold rate used in the valuation is TL/ounce 2.780 (2013: TL/ounce 2.564).

**d. Financial Instruments**

*Securities Portfolio*

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

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2014

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

---

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

**d. Financial Instruments (Continued)**

*Securities Portfolio (Continued)*

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

*Open Market Operations - Securities Purchased Under Agreements to Resell*

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

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

*Open Market Operations - Securities Sold Under Agreements to Repurchase*

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

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2014

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

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

**d. Financial Instruments (Continued)**

*Loans and Provision for Losses*

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

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

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

*Equity Participations*

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

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

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

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

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

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

**NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2014**

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

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

**d. Financial Instruments (Continued)**

*Financial Liabilities*

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

**e. Banknotes in Circulation**

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

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

*Demonetized Currency - Turkish Lira and New Turkish Lira*

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

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

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

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2014

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

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

**f. Fixed Assets**

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

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

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

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

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

The depreciation rates of the fixed assets are as follows:

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

**g. Provisions**

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

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

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

**h. Employment Termination Benefits**

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



**NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2014**

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

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

**i. Taxes**

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

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

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

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

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

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

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

**j. Custody Operations**

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

**k. Comparative Information and Restatement of Prior Year Financial Statements**

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

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

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

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2014

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

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

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

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

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

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

	31 December 2014	31 December 2013
(1 Euro = TL)	2,8207 TL	2,9365 TL
(1 US Dollar = TL)	2,3189 TL	2,1343 TL

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

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

	31 December 2014	31 December 2013
Euro	2,8207 TL	2,9365 TL
US Dollar	2,3189 TL	2,1343 TL

**Prior to Balance Sheet Date (Euro)**

	31 December 2014	31 December 2013
Bid rate of the 1st Day	2,8207 TL	2,9365 TL
Bid rate of the 2nd Day	2,8339 TL	2,9844 TL
Bid rate of the 3rd Day	2,8255 TL	2,8693 TL
Bid rate of the 4th Day	2,8368 TL	2,8353 TL
Bid rate of the 5th Day	2,8312 TL	2,8466 TL

**Prior to Balance Sheet Date (US Dollar)**

	31 December 2014	31 December 2013
Bid rate of the 1st Day	2,3189 TL	2,1343 TL
Bid rate of the 2nd Day	2,3235 TL	2,1604 TL
Bid rate of the 3rd Day	2,3182 TL	2,0957 TL
Bid rate of the 4th Day	2,3177 TL	2,0710 TL
Bid rate of the 5th Day	2,3209 TL	2,0812 TL

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2014

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

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

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

	<u>31 December 2014</u>		<u>31 December 2013</u>	
	Thousand TL	Million USD Dollar	Thousand TL	Million USD Dollar
<b>I- Foreign Currency Assets</b>				
1) Gold Reserves	47.307.178	20.401	42.850.276	20.077
2) Foreign Currency Banknotes	2.091.972	902	3.754.572	1.759
3) Foreign Correspondents	245.424.135	105.836	232.627.024	108.995
4) Reserve Tranche Position	379.048	163	370.973	174
5) Securities Portfolio	-	-	-	-
6) Receivables Due to Monetary Policy Operations	-	-	-	-
7) Domestic Correspondents	-	-	-	-
8) Loans	19.351.600	8.345	13.329.215	6.245
9) Equity Participations	628.430	271	587.727	275
10) Treasury Liabilities Due to SDR Allocation	3.600.846	1.553	3.524.139	1.651
11) Fixed Assets (Net)	-	-	-	-
12) Loans Under Legal Follow-Up (Net)	-	-	-	-
13) Deferred Tax Assets	-	-	-	-
14) Other Assets	4.138	3	3.912	2
<b>Total Foreign Currency Assets</b>	<b>318.787.347</b>	<b>137.474</b>	<b>297.047.838</b>	<b>139.178</b>
<b>II- Foreign Currency Liabilities</b>				
1) Currency in Circulation	-	-	-	-
2) Payables Due to Monetary Policy Operations	-	-	-	-
3) Deposits	206.039.285	88.852	198.169.099	92.850
a) Public Sector	9.622.196	4.149	13.725.018	6.431
b) Banking Sector	189.883.850	81.885	172.499.830	80.823
c) Other Deposits	6.533.239	2.818	11.944.251	5.596
4) Foreign Correspondents	868	-	799	-
5) Reserve Tranche Position	379.048	163	370.973	174
6) SDR Allocation	3.600.846	1.553	3.524.139	1.651
7) Tax Liability	-	-	-	-
8) Provisions	-	-	-	-
9) Share Capital and Legal Reserves	-	-	-	-
10) Valuation Account	-	-	-	-
11) Profit for the Year	-	-	-	-
12) Other Liabilities	1.333.396	576	1.222.835	573
<b>Total Foreign Currency Liabilities</b>	<b>211.353.443</b>	<b>91.144</b>	<b>203.287.845</b>	<b>95.248</b>
<b>Net Foreign Currency Position</b>	<b>107.433.904</b>	<b>46.330</b>	<b>93.759.993</b>	<b>43.930</b>

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014

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

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

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

	31 December 2014				31 December 2013			
	Cost	Accumulated depreciation	Net book value	Insurance coverage	Cost	Accumulated depreciation	Net book value	Insurance coverage
Furniture								
And Fixture	218.782	125.089	93.693	165.886	184.405	103.281	81.124	185.718
Property	704.307	148.542	555.765	301.639	702.394	142.485	559.909	292.796
	<b>923.089</b>	<b>273.631</b>	<b>649.458</b>	<b>467.525</b>	<b>886.799</b>	<b>245.766</b>	<b>641.033</b>	<b>478.514</b>

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

As of 31 December 2014, there is a number of legal proceedings outstanding against the Bank amounting to TL 4.950 thousand, US Dollar 64.596.952 and EUR 225.451 (31 December 2013: TL 2.597 thousand, US Dollar 64.596.952 and EUR 222.397) No provisions are provided in the accompanying financial statements for such legal proceedings based on the views of legal counsel.

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

##### *Valuation Account*

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

### B. Other notes and explanations

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

In the meeting of the General Assembly of the Bank that will be held on 9 April 2015, taking into consideration the articles 56 and 60 of Central Bank Law numbered 1211 and in Turkish Commercial Code No. 6102, with the law no 6335, article 64; dividend payment to employees; limited to either two month salary per employee or 5% of the distributable amount after the deductions calculated based on the ratios stated in the paragraphs (a) and (b) of the article 60 of the Central Bank Law; over the Bank's net income of the year 2014 amounting to TL 10.099.267 thousand stated in the legal books kept by the Bank in accordance with Bank's Tax Procedure Law, numbered 213, and allocation of extraordinary reserves at a rate of 10% will be resolved.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014

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

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

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

There are no foreign branches; however the Bank has representative office in London and there are employees working in Frankfurt, Kuala Lumpur, Moscow, New York, Beijing, Sidney, Tokyo, Washington Turkish Republic Foreign Representations and OECD Representation in Paris.

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

The financial statements for the year ended 31 December 2014 have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. ("A member of Deloitte Touche Tohmatsu Limited"). The independent auditor's report is presented in front of the financial statements and notes to the financial statements.

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

#### (1) Gold Reserves

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

As of 31 December 2014, the Bank owns 116.103.765 (31 December 2013: 116.103.765) net grams of gold in international standards and 3.177.798 (31 December 2013: 3.177.798) net grams of gold in non-international standards, and 413.004.517 net grams of gold which belongs to the banks those deposited gold in order to meet their reserve requirements (31 December 2013: 403.633.250). 493.196.434 (31 December 2013: 484.546.500) grams of the gold in international standards is kept at the Bank of England ("BOE") and Federal Reserve Bank of New York ("FED"), 2.241.203 (31 December 2013: 1.519.870) grams of gold is kept in Istanbul Stock Exchange and the remaining 33.670.645 (31 December 2013: 33.670.645) grams is kept at the Head Office of the Bank. The total amount of gold in non-international standards is kept at the Head Office of the Bank; 345.575 (31 December 2013: 345.575) grams of gold in non-international standards belongs to the Turkish Treasury and the related liability is presented in the balance sheet under the "Other Liabilities" account

The gold reserve as of 31 December 2014 and 31 December 2013 is valued with the gold prices quoted in the London Bullion Market at 10:30 a.m. and on the basis of 1 ounce being equal to 31,1035 grams.

Gold Reserves	31 December 2014	31 December 2013
<b>Gold in International Standards</b>	<b>47.307.178</b>	<b>42.850.276</b>
CBRT's own gold	10.380.751	9.572.299
Care of the BOE	4.805.185	4.430.958
Care of the FED	2.565.099	2.365.329
Domestic gold	3.010.467	2.776.012
Required reserves of the banks	36.926.427	33.277.977
Care of the BOE	36.726.043	33.152.669
Care of BIST	200.384	125.308
<b>Gold in Non-International Standard</b>	<b>284.125</b>	<b>261.997</b>
CBRT	253.227	233.506
Treasury	30.898	28.491

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014

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

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

#### (2) Foreign Correspondents

	31 December 2014		31 December 2013	
	Thousand TL	Million USD Dollar	Thousand TL	Million USD Dollar
Foreign Currency Securities	228.715.091	98.631	211.123.803	98.919
Deposit	12.811.106	5.525	17.107.759	8.016
Other	3.897.938	1.680	4.395.462	2.059
- Demand deposits	648.590	280	1.179.081	552
- SDR holdings account	3.247.340	1.399	3.213.476	1.506
- Other	2.008	1	2.905	1
<b>Total</b>	<b>245.424.135</b>	<b>105.836</b>	<b>232.627.024</b>	<b>108.994</b>

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

As of 31 December 2014, foreign currency securities held for reserve purpose amounting to TL 228.715.091 thousand (31 December 2013: TL 211.123.803 thousand) are valued with the prices quoted in the international markets where they are traded at the balance sheet date.

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

##### (a) Information on Securities Portfolio

As of 31 December 2014, securities portfolio amounting to TL 9.217.474 thousand consists of government bonds with outright purchase. (As of 31 December 2013: The securities portfolio amounting to TL 8.931.101 thousand consists of government bonds with outright purchase.)

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

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2014

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

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

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

(a) Information on Securities Portfolio (continued)

As of 31 December 2014 the nominal values of TL securities acquired by outright purchases amounts to TL 8.999.000 thousand. (31 December 2013: 8.999.000 thousand TL)

Breakdown of securities portfolio as of 31 December 2013 are as follows:

	31 December 2013			
	Acquisition Cost	Accrual (net)	Carrying Amount	Fair Value
<b><u>Purchases under Agreements to Resell:</u></b>				
Treasury Bills and Government Bonds				
1. Fixed Income	-	-	-	-
2. Indexed to Inflation	-	-	-	-
3. Indexed to Foreign Currency	-	-	-	-
4. Foreign Currency	-	-	-	-
5. Floating Rate	-	-	-	-
<b><u>Outright Purchases:</u></b>				
Treasury Bills and Government Bonds				
1. Fixed Income	9.158.267	(227.166)	8.931.101	8.931.101
2. Indexed to Inflation	-	-	-	-
3. Indexed to Foreign Currency	-	-	-	-
4. Foreign Currency	-	-	-	-
5. Floating Rate	-	-	-	-
<b>TOTAL</b>	<b>9.158.267</b>	<b>(227.166)</b>	<b>8.931.101</b>	<b>8.931.101</b>

(b) Receivables Due to Monetary Policy Operations

As of 31 December 2014, breakdown of the securities purchased under agreement to resell recognized in off-balance sheet is as follows:

	31 December 2014	
	Nominal	Fair value
<b><u>Purchases under Agreements to Resell:</u></b>		
Treasury Bills and Government Bonds		
1 Fixed Income	41.307.109	46.287.689
2 Inflation-Indexed	-	-
3 Indexed	-	-
4 Foreign Currency	-	-
5 Floating Rate	-	-
<b>TOTAL</b>	<b>41.307.109</b>	<b>46.287.689</b>
	31 December 2013	
	Nominal	Fair value
<b><u>Purchases under Agreements to Resell:</u></b>		
Treasury Bills and Government Bonds		
1 Fixed Income	38.833.545	40.712.338
2 Inflation-Indexed	-	-
3 Indexed	-	-
4 Foreign Currency	-	-
5 Floating Rate	-	-
<b>TOTAL</b>	<b>38.833.545</b>	<b>40.712.338</b>

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

### **NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014**

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

---

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

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

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

Receivables Due to Monetary Policy- Open Market Operations at the asset side of the balance sheet as of 31 December 2014 – Securities purchased under agreements to resell presented under Open Market Operations consists of TL 46.254.099 thousand of capital paid and the accrued interest income. (31 December 2013: TL 39.007.450 thousand).

In addition, as of 31 December 2014, there is TL 200.063 thousand of Money Market receivable due from the transactions the Bank entered into on its behalf. (31 December 2013: TL 74.516 thousand) Interest income accrual amounting to TL 63 thousand (31 December 2013: TL 16 thousand) are accounted for in the same account.

In addition, as of 31 December 2014, TL 32.307 thousand the Bank received from Interbank Money Market (31 December 2013: TL 208.520 thousand) as the counterparty of the transaction was presented as Liabilities due Monetary Policy Operations - Interbank Money Market Operations. Accrued interest of this liability; TL 7 thousand; (31 December 2013: TL 20 thousand) was also accounted for in the same account.

As of 31 December 2014, the accrued interest on securities purchased under agreements to resell amounting to TL 45.099 thousand (31 December 2013: TL 10.543 thousand) is presented in the Receivables due to Monetary Policy Operations - Open Market Operations. In addition, as of 31 December 2014, there is no accrued interest expense on securities sold under agreements to repurchase (31 December 2013, there is no accrued interest expense on securities sold under agreements to repurchase).

##### **(4) Domestic Correspondents**

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

As of 31 December 2014, there are no foreign currency interbank money market transactions where the Bank acted as intermediary. (31 December 2013, there are no foreign currency interbank money market transactions where the Bank acted as intermediary.)



# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014

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

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

#### 5) Loans

##### (a) Information on domestic loans:

As of 31 December 2014 loans to domestic banks; TL 19.328.800 thousand (31 December 2013: TL 13.307.134 thousand) consists of the discount loans.

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

None. (31 December 2013: None).

##### (c) Information on Foreign Loans:

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

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

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

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

	31 December 2014		31 December 2013	
	Thousand TL	Thousand USD Dollar	Thousand TL	Thousand USD Dollar
<b>Opening balance</b>	<b>3.262.626</b>	<b>1.406.971</b>	<b>2.720.440</b>	<b>1.274.629</b>
- Increases during the Period (+) (*)	4.458	1.923	5.455	2.556
- Transfers from Other Follow-up Accounts (+)	-	-	-	-
- Transfers to Other Follow-up Accounts (-)	-	-	-	-
- Collections during the Period (-)	-	-	-	-
- Write-offs (-)	-	-	-	-
- Foreign Exchange Differences	282.577	121.858	536.731	251.479
<b>Closing balance</b>	<b>3.549.661</b>	<b>1.530.752</b>	<b>3.262.626</b>	<b>1.528.664</b>
- Allowance (-)	3.549.661	1.530.752	3.262.626	1.528.664
<b>Net balance after allowance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) As of 31 December 2014, TL 4.458 thousand of increase during the period (31 December 2013: TL 5.455 thousand) represents accrued interest on the loans and receivables under follow-up.

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

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014

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

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

#### 6) Equity Participations

As of 31 December 2014 and 2013, the Bank's equity participations are as follows:

Title	Share rate (%)	Total Paid-in Share Capital	31 December 2014 Acquisition Cost	31 December 2013 Acquisition Cost	31 December 2014 Ledger Asset	31 December 2013 Ledger Asset
Bank for International Settlements (BIS) (*) (**)	1,43	698,9 million SDR	(*) 10.000.000 SDR	(*) 10.000.000 SDR	605.164	566.317
International Islamic Liquidity Management Corporation (IILM)	13,33	75 million USD Dolar	10.000.000 USD	10.000.000 USD	23.189	21.343
S.W.I.F.T.	0,007	14 million Euro	18.320 Euro	18.320 Euro	77	67
<b>Total Affiliates</b>					<b>628.430</b>	<b>587.727</b>

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

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

Until 1 January 2013 the Bank accounted for its equity participations at cost and converted them to Turkish Lira with the exchange rate as of the balance sheet date. The Bank has changed its accounting policy on 1 January 2013 and chose to fair value its equity participations in BIS and SWIFT whose fair values can be reliably measured. The Bank's equity participation in IILM whose fair value could not be reliably measured continues to be accounted for at cost. In current year, TL 40.703 thousand of valuation increase; which is TL 2.558 thousand the foreign currency valuation difference; was accounted for in the "Valuation Account"; and the remaining TL 38.145 thousand (TL 36.238 thousand after deducting deferred tax effect TL 1.907 thousand) was accounted for as "Fair value increase/(decrease) in equity participations" under "Other Liabilities". (Refer to Not II. 16)

<b>Movement of equity participations</b>	<b>2014</b>	<b>2013</b>
Opening balance (1 January)	587.727	45.424
The effect of accounting policy change	-	494.426
Change in fair value for the year	38.145	38.987
The effect of foreign currency valuation for the year	2.558	8.890
<b>Ending Balance (31 December)</b>	<b>628.430</b>	<b>587.727</b>

In the year ended 31 December 2014, there isn't any purchased or disposed equity participation.

In 2014 the profit share was collected from Bank for International Settlements is TL 5.361 thousand. (2013: TL 6.903 thousand).

#### (7) Fixed Assets

As of 31 December 2014, the cost of property and related accumulated depreciation amounts to TL 704.307 thousand (31 December 2013: TL 702.394 thousand) and TL 148.542 thousand (31 December 2013: TL 142.485 thousand) respectively, whereas the cost of furniture and fixture and related accumulated depreciation amounts to TL 218.782 thousand (31 December 2013: TL 184.405 thousand) and TL 125.089 thousand (31 December 2013: TL 103.281 thousand) respectively.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014

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

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

#### (8) Other Assets

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

	31 December 2014	31 December 2013
Temporary tax to be deducted from corporate tax	1.182.887	547.778
Taxes to be deducted from income tax withholding	127.108	95.643
Letter of credit expenses of banknote printing office	4.911	12.179
Printing plant inventory	41.067	38.059
Construction in progress expenses	5.237	4.219
Other materials and warehouses	9.495	4.415
Collection banknote depot	3.183	3.183
Medallion depot	626	1.254
Other	31.319	27.939
<b>Total</b>	<b>1.405.833</b>	<b>734.669</b>

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

	31 December 2014	31 December 2013
Commissions and expenses to be collected from Treasury(*)	17.987	17.150
EFT commission income accrual	12.886	10.796
Other	877	1.109
<b>Total Interest and Income Accruals</b>	<b>31.750</b>	<b>29.055</b>

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

#### (9) Currency in circulation

According to the article 1 of Central Bank Law, the Bank has the exclusive privilege of issuing banknotes in Turkey. As of 31 December 2014, the banknotes in circulation amount to TL 85.118.222 thousand (31 December 2013: TL 74.814.590 thousand).

<b>Movement of banknotes in circulation</b>	<b>2014</b>	<b>2013</b>
1 January Balance	74.814.590	60.525.482
Banknotes issued into circulation	34.357.066	41.353.594
Banknotes withdrawn from circulation and destroyed	(24.053.434)	(27.064.486)
<b>31 December Balance</b>	<b>85.118.222</b>	<b>74.814.590</b>

## THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

### NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014

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

---

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

##### (10) Reserve Tranche Position

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

As of 31 December 2014, Reserve Tranche Position represents the prepayment of SDR 112.775.000 for the total IMF quota of SDR 1.455.800.000 and is recorded in the "Foreign Currency Reserves - Reserve Tranche Position" under the assets and in the "Reserve Tranche Position" under liabilities. As of 31 December 2014, the balance of the account amounts to TL 379.048 thousand (31 December 2013: TL 370.973 thousand).

SDR 112.307.000 (31 December 2013: SDR 112.307.000) allocated to Turkey in accordance with the protocol signed with the IMF has been used by the Turkish Treasury and is classified as "Treasury Liabilities due to SDR Allocation" under "Assets" and as "SDR Allocation" under "Liabilities". Additionally, as of 28 August 2009 and 9 September 2009, the amounts of SDR 883.122.365 and SDR 75.900.364 have been allocated as General SDR allocation and Special SDR allocation respectively to the Turkish Treasury by IMF where the Bank act as an intermediary institution and are accounted for as explained. As of 31 December 2014, the balance is TL 3.600.846 thousand (31 December 2013: 3.524.139 thousand TL).

##### (11) Deposits

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

##### *Public Sector and Banking Sector Deposits*

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

The deposits of the banking sector consist of two-day notice foreign currency deposits, TL demand deposits and reserve deposits. Interest has been paid for the required reserves since 3 November 2014.

##### *Deposits by citizens abroad*

As of 31 December 2014, deposits by citizens abroad amounting to TL 5.846.583 thousand December, 2014 (31 December 2013: TL 11.320.996 thousand) consist of deposits by Turkish citizens living abroad.

The term of Deposits by Citizens Abroad account varies between 1 to 3 years. Interest rates vary according to maturity and balance. There is no newly opened account due to liquidation process of worker remittances.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014

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

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

#### (11) Deposits (Continued)

##### *Deposits by citizens abroad (continued)*

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

Foreign Currency	31 December 2014			31 December 2013		
	Foreign Currency Balance (000)	Thousand TL Equivalent	Interest rates (*)	Foreign Currency Balance (000)	Thousand TL Equivalent	Interest rates (*)
Euro	1.977.388	5.577.618	0,25%-1,00%	3.684.482	10.819.481	0,25%-1,00%
USD Dollar	91.489	212.154	0,25%	189.208	403.827	0,25%
CHF	22.980	53.766	0,25%	38.661	92.396	0,25%
Other	852	3.045	0,25%	1.512	5.292	0,25%
<b>Total</b>		<b>5.846.583</b>			<b>11.320.996</b>	

(\*) Amounts denominated in EUR, US Dollar, GBP and CHF and deposited before 6 March 2006 to the Bank are rolled over, unless there is a customer request to the contrary, at the rate of 0,25%. Minimum interest rates of the deposit accounts other than the ones mentioned above are 0,25%, 0,25%, 0,25% and 0,25% for EUR, US Dollar, CHF and GBP respectively as of 31 December 2014 (31 December 2013: 0,25%, 0,25%, 0,25% and 0,25% for EUR, US Dollar, CHF and GBP respectively).

##### *Deposits by International Institutions*

Deposits by the international institutions represents the TL thousand equivalent of the balance transferred to the Bank by the IMF as "special drawing rights"("SDR"). The Bank is designated as "the depositor" to regulate the relations of the Turkish Treasury and the IMF. As of 31 December 2014, TL 11.956 thousand (31 December 2013: TL 9.869 thousand) which represents the minimum quota amount denominated in SDR is recorded as the deposit balance of IMF. In addition to this, the balance of the amount of TL 11 thousand is used for tracking revenues such as IMF's sales revenues of publication and administrative expenses which took place within the limits of a member country and used only in the currency of the member country (31 December 2013: TL 11 thousand. In addition, as of 31 December 2014, there is TL 43.977 thousand of African Development Fund (ADF) amounting to in the Bank's accounts. (31 December 2013: TL 59 thousand)

##### *Deposits of Funds*

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

#### (12) Share Capital and Legal Reserves

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

The representation of Bank's capital between 31 December 2014 and 2013:

	31 December 2014	31 December 2013
Nominal capital	25	25
Inflation adjustment to share capital	46.209	46.209
<b>Total capital</b>	<b>46.234</b>	<b>46.234</b>

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2014

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

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

(12) Share Capital and Legal Reserves (continued)

The list of Bank's shareholders is presented below:

	31 December 2014		31 December 2013	
	Share Amount TL (*)	Share Rate %	Share Amount TL (*)	Share Rate %
Turkish Treasury	13.780	55	13.780	55
T.C. Ziraat Bankası A.Ş.	4.806	19	4.806	19
TCMB Mensupları Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı	1.280	5	1.280	5
Türkiye Garanti Bankası A.Ş.	621	3	621	3
Türkiye İş Bankası A.Ş.	582	2	582	2
T.C. Sosyal Güvenlik Kurumu	350	2	350	2
Türkiye Kızılay Derneği	301	1	301	1
Türkiye Halk Bankası A.Ş.	277	1	277	1
Other	3.003	12	3.003	12
<b>Total nominal capital</b>	<b>25.000</b>	<b>100</b>	<b>25.000</b>	<b>100</b>

(\*) Shared amounts are stated as exact TL.

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

In accordance with the decision of the General Assembly dated 17 April 2014 and Tax Procedure Law numbered 213, the Bank distributed TL 7.437 thousand to its employees from the net total profit of year 2013 amounting TL 5.026.157 thousand TL, 3 thousand to shareholders as dividend out of the profit and TL 1.656.478 thousand was transferred to reserves. The remaining amounting of TL 3.362.239 thousand was transferred to Turkish Treasury.

(13) Provisions

*Retirement Pay Provision*

As of 31 December 2014, the Bank calculated retirement pay provision amounting to TL 142.191 thousand (31 December 2013: TL 128.170 thousand) and recorded the full provision under the provision account.

Movement of retirement pay provision is presented below:

	2014	2013
<b>1 January Balance</b>	<b>128.170</b>	<b>126.040</b>
The effect of the change in accounting policies	-	(6.750)
Service cost	15.063	12.107
Interest cost	4.586	2.827
Actuarial loss/(gain)	-	(3.112)
Paid during the current year	(5.628)	(2.942)
<b>31 December Balance</b>	<b>142.191</b>	<b>128.170</b>

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014

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

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

#### (13) Provisions (continued)

##### *Insurance Provision for Money in Transit*

As of 31 December 2014, the Bank, calculated provision for the transfer insurance of banknotes, cash and securities amounting to TL 243.056 thousand (31 December 2013: TL 243.056 thousand) and recorded the provision amount under the provision account.

#### (14) Tax Liability

##### **Corporate Tax Provision**

	<b><u>31 December</u></b> <b><u>2014</u></b>	<b><u>31 December</u></b> <b><u>2013</u></b>
Corporate tax	1.461.675	889.835
Other taxes (*)	66.258	49.804
<b>Tax obligation – net</b>	<b>1.527.933</b>	<b>939.639</b>

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

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

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

The effective tax rate is 20% (2013: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2014 is 20%. (2013: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

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

Tax expense as of 31 December 2014 and 2013 is as follows:

	<b><u>1 January –</u></b> <b><u>31 December</u></b> <b><u>2014</u></b>	<b><u>1 January –</u></b> <b><u>31 December</u></b> <b><u>2013</u></b>
- Corporate tax	1.461.675	889.835
- Deferred tax income	(2.490)	(1.568)
<b>Tax expense</b>	<b>1.459.185</b>	<b>888.267</b>

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

**NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2014**

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

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

**(14) Tax Liability (Continued)**

**Deferred Tax**

As of 31 December 2014 and 31 December 2013, the details of temporary differences and calculated deferred tax assets/(liabilities) are presented below:

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

	<b>Total temporary differences</b>	<b>Deferred Tax Assets/(Liabilities)</b>
	<b>31 December 2013</b>	<b>31 December 2013</b>
Retirement pay provision	128.170	25.634
Fixed asset depreciation adjustment	42.806	8.561
Fair value increase/(decrease) of equity participations	(533.422)	(26.671)
<b>Net Assets</b>		<b>7.524</b>

As of 31 December 2014 and 2013, movement of deferred tax assets is presented below:

	<b>2014</b>	<b>2013</b>
<b>1 January Balance</b>	<b>7.524</b>	<b>-</b>
The effect of the change in accounting policy	-	8.528
Deferred tax associated with the income statement, net	2.490	1.568
Deferred tax associated with other liabilities (*)	(1.908)	(2.572)
<b>31 December Balance</b>	<b>8.106</b>	<b>7.524</b>

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

Reconciliation of tax expense is presented below:

	<b>2014</b>	<b>2013</b>
<b>Profit/(loss) before tax</b>	<b>10.100.827</b>	<b>5.917.038</b>
Provision calculated over the corporate tax rate (20 %)	2.020.165	1.183.408
Tax allowance	(570.207)	(336.057)
Undeductible expenses	9.227	40.916
<b>Tax expense/(income)</b>	<b>1.459.185</b>	<b>888.267</b>



# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014

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

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

#### (15) Valuation Account

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

#### (16) Other Liabilities

As of 31 December 2014, TL 30.898 thousand (31 December 2013: TL 28.491 thousand) of other liabilities is the gold reserve in non-international standard kept on behalf of Treasury.

As of 31 December 2014, the breakdown of other liabilities – other is presented below:

	<u>31 December</u> <u>2014</u>	<u>31 December</u> <u>2013</u>
Fair value increase/(decrease) in equity participations	542.980	506.742
Account transactions with subsequent dates	338.544	236.290
Bills and money orders to be paid	13.250	13.560
Interests waiting because of its being under the limit	9.056	9.379
Withholding tax belongs to repo interest written as income via rediscount	6.767	1.582
Debts from bonds waiting for court decisions	5.798	3.534
Amounts waiting for the application of beneficiaries	4.042	5.038
Payments to heirs as a result of death	2.984	3.796
Retirement pay provision actuarial gain	2.490	2.490
Seized and prudent money	2.168	2.116
Money to be liquidated to the following period	795	495
Prior year's losses	(11.091)	(13.705)
Other	26.268	24.901
<b>Total</b>	<b>944.051</b>	<b>796.218</b>

Other liabilities –Breakdown of accrual expenses are shown below:

	<u>31 December</u> <u>2014</u>	<u>31 December</u> <u>2013</u>
Interest accrual expense of IMF periodic payments	302	612
Other	2.897	2.976
<b>Total Accrual Expenses</b>	<b>3.199</b>	<b>3.588</b>



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

**NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2014**

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

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

**(1) Interest Income**

	<b><u>1 January – 31 December 2014</u></b>	<b><u>1 January – 31 December 2013</u></b>
Interests received from transactions of purchases under agreements to resell	3.918.262	1.796.491
Interests received from TL and FC securities	2.313.892	2.531.419
Interest received from loans	90.763	35.343
Interest received from banks	14.355	15.349
Interest received from interbank monetary policy operations	9.040	10.810
<b>Total</b>	<b>6.346.312</b>	<b>4.389.412</b>

**(2) Interest Expense**

	<b><u>1 January – 31 December 2014</u></b>	<b><u>1 January – 31 December 2013</u></b>
Interest paid to Undersecretariat of Treasury accounts	939.791	433.697
Interest paid to banks	33.304	21
Interest paid to deposits by citizens abroad	23.082	125.991
Interest paid to interbank monetary policy operations	5.504	16.107
Interest paid to open market operations	4.802	8.857
Interest paid to IMF general use of resources	3.046	2.530
<b>Total</b>	<b>1.009.529</b>	<b>587.203</b>

**(3) Non-Interest Income**

	<b><u>1 January – 31 December 2014</u></b>	<b><u>1 January – 31 December 2013</u></b>
Foreign exchange gains	6.333.511	5.454.556
Gains on purchase and sale of securities	1.082.159	51.623
Income on equity participations	5.361	6.903
Other non-interest income	4.474	5.708
<b>Total</b>	<b>7.425.505</b>	<b>5.518.790</b>

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2014

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

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

(4) Non-interest Expenses

	<u>1 January – 31 December 2014</u>	<u>1 January – 31 December 2013</u>
Losses on purchase and sale of securities and fair value decreases	1.677.478	2.245.960
Wages and salaries	598.859	564.945
Provision for non-performing loans	287.035	542.186
Securities transportation internal insurance reserve	-	165.700
General administrative and banknote expenses	156.391	130.292
Social security expenses	63.310	45.638
Depreciation expense	30.592	24.406
Foreign exchange transaction losses	239.833	20.234
Other non-interest expenses	2.618	1.771
<b>Total</b>	<b>3.056.116</b>	<b>3.741.132</b>

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

Provisions for non-performing loans consists of the provisions provided for the accrued interest income on non-performing loans amounting to TL 4.458 thousand (2013: TL 5.455 thousand) and for the foreign exchange difference on non-performing loans amounting to TL 282.577 TL thousand occurred due to fluctuations in foreign exchange rates during the year.

IV. NOTES AND EXPLANATIONS TO CASH FLOW STATEMENT

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

	<u>1 January 2014</u>	<u>1 January 2013</u>
Foreign Currency Banknotes	3.754.572	700.397
Coins	68.021	89.824
Foreign Correspondents / Deposit	17.107.304	4.868.897
Foreign Correspondents / Other	4.395.176	3.542.907
Receivables due to Money Market Operations	39.071.407	23.028.742
Domestic Correspondents	-	19.609
<b>Cash and Cash equivalents</b>	<b>64.396.480</b>	<b>32.250.376</b>

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

	<u>31 December 2014</u>	<u>31 December 2013</u>
Foreign Currency Banknotes	2.091.972	3.754.572
Coins	67.257	68.021
Foreign Correspondents / Deposit	12.810.574	17.107.304
Foreign Correspondents / Other	3.897.857	4.395.176
Receivables due to Money Market Operations	46.409.000	39.071.407
Domestic Correspondents	-	-
<b>Cash and Cash equivalents</b>	<b>65.276.660</b>	<b>64.396.480</b>

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2014

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

V. SUPPLEMENTARY FINANCIAL STATEMENTS

Presentation of Assets and Liabilities according to their remaining maturities

CURRENT PERIOD(31 December 2014)	On Demand	In 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 years	5 years and over	Retained	Total
<b>ASSET</b>								
Gold Reserves	10.380.751	36.926.427	-	-	-	-	-	47.307.178
Foreign Currency Banknotes	2.091.972	-	-	-	-	-	-	2.091.972
Foreign Correspondents	3.897.938	18.868.975	41.344.616	130.071.735	51.139.587	101.284	-	245.424.135
Reserve Tranche Position	379.048	-	-	-	-	-	-	379.048
Securities Portfolio	-	721.553	50.930	2.351.148	6.093.843	-	-	9.217.474
Receivables due to Money Market Operations	-	46.454.162	-	-	-	-	-	46.454.162
Domestic Correspondents	-	-	-	-	-	-	-	-
Loans	21.013	4.595.427	5.868.896	8.865.670	594	-	-	19.351.600
Equity Participations	628.430	-	-	-	-	-	-	628.430
Treasury Liability due to SDR Allocation	3.600.846	-	-	-	-	-	-	3.600.846
Fixed Assets (Net)	-	-	-	-	-	-	649.458	649.458
Loans Under Legal Follow-up	-	-	-	-	-	-	-	-
Deferred Tax Asset	8.106	-	-	-	-	-	-	8.106
Other Assets	1.734.323	-	272	-	-	-	54.370	1.788.965
<b>Total assets</b>	<b>22.742.427</b>	<b>107.566.544</b>	<b>47.264.714</b>	<b>141.288.553</b>	<b>57.234.024</b>	<b>101.284</b>	<b>703.828</b>	<b>376.901.374</b>
<b>LIABILITY</b>								
Currency in Circulation	85.118.222	-	-	-	-	-	-	85.118.222
Payables due to Money Market Operations	-	32.307	-	-	-	-	-	32.307
Deposits	1.396.219	234.473.975	358.897	2.611.820	2.652.541	-	-	241.493.452
Foreign Correspondents	868	-	-	-	-	-	-	868
Reserve Tranche Position	379.048	-	-	-	-	-	-	379.048
SDR Allocation	3.600.846	-	-	-	-	-	-	3.600.846
Tax Liability	-	-	1.527.933	-	-	-	-	1.527.933
Provisions	385.247	-	-	-	-	-	-	385.247
Share Capital and Legal Reserves	10.947.817	-	-	-	-	-	-	10.947.817
Valuation Account	22.857.074	-	-	-	-	-	-	22.857.074
Profit for the Year	8.641.642	-	-	-	-	-	-	8.641.642
Other Liabilities	49.143	394.626	-	-	-	-	1.473.149	1.916.918
<b>Total Liabilities</b>	<b>134.904.059</b>	<b>234.900.908</b>	<b>358.897</b>	<b>2.611.820</b>	<b>2.652.541</b>	<b>-</b>	<b>1.473.149</b>	<b>376.901.374</b>
<b>Net Liquidity Position</b>	<b>(112.161.632)</b>	<b>(127.334.364)</b>	<b>46.905.817</b>	<b>138.676.733</b>	<b>54.581.483</b>	<b>101.284</b>	<b>(769.321)</b>	<b>-</b>

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2014

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

V. SUPPLEMENTARY FINANCIAL STATEMENTS (Continued)  
Presentation of Assets and Liabilities according to their remaining maturities

PREVIOUS PERIOD(31 December 2013)	On Demand	In 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 years	5 years and over	Retained	Total
<b>ASSET</b>								
Gold Reserves	9.697.607	33.152.669	-	-	-	-	-	42.850.276
Foreign Currency Banknotes	3.754.572	-	-	-	-	-	-	3.754.572
Foreign Correspondents	4.395.462	32.989.654	13.732.304	116.499.902	65.009.702	-	-	232.627.024
Reserve Tranche Position	370.973	-	-	-	-	-	-	370.973
Securities Portfolio	-	-	1.288.125	1.892.568	5.750.408	-	-	8.931.101
Receivables due to Money Market Operations	-	39.081.966	-	-	-	-	-	39.081.966
Domestic Correspondents	-	-	-	-	-	-	-	-
Loans	10.058	1.120.201	1.661.261	10.536.054	1.641	-	-	13.328.215
Equity Participations	587.727	-	-	-	-	-	-	587.727
Treasury Liability due to SDR Allocation	3.524.139	-	-	-	-	-	-	3.524.139
Fixed Assets (Net)	-	-	-	-	-	-	641.033	641.033
Loans Under Legal Follow-up	-	-	-	-	-	-	-	-
Deferred Tax Asset	7.524	-	-	-	-	-	-	7.524
Other Assets	330.018	28.497	558	-	-	-	734.669	1.093.742
<b>Total Assets</b>	<b>22.678.080</b>	<b>106.372.987</b>	<b>16.682.248</b>	<b>128.928.524</b>	<b>70.761.751</b>	<b>-</b>	<b>1.375.702</b>	<b>346.799.292</b>
<b>LIABILITY</b>								
Currency in Circulation	74.814.590	-	-	-	-	-	-	74.814.590
Payables due to Money Market Operations	-	208.520	-	-	-	-	-	208.520
Deposits	60.623.477	156.790.374	656.850	4.529.758	5.725.020	-	-	228.325.479
Foreign Correspondents	799	-	-	-	-	-	-	799
Reserve Tranche Position	370.973	-	-	-	-	-	-	370.973
SDR Allocation	3.524.139	-	-	-	-	-	-	3.524.139
Tax Liability	939.639	-	-	-	-	-	-	939.639
Provisions	371.226	-	-	-	-	-	-	371.226
Share Capital and Legal Reserves	9.291.339	-	-	-	-	-	-	9.291.339
Valuation Account	22.164.507	-	-	-	-	-	-	22.164.507
Profit for the Year	5.028.771	-	-	-	-	-	-	5.028.771
Other Liabilities	963.092	-	-	-	-	-	796.218	1.759.310
<b>Total Liabilities</b>	<b>178.092.552</b>	<b>156.998.894</b>	<b>656.850</b>	<b>4.529.758</b>	<b>5.725.020</b>	<b>-</b>	<b>796.218</b>	<b>346.799.292</b>
<b>Net Liquidity Position</b>	<b>(155.414.472)</b>	<b>(50.625.907)</b>	<b>16.025.398</b>	<b>124.398.766</b>	<b>65.036.731</b>	<b>-</b>	<b>579.484</b>	<b>-</b>