

**THE CENTRAL BANK OF THE
REPUBLIC OF TURKEY
FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016
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 2016 and statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

The Bank Management's responsibility for the financial statements

The Bank Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Central Bank of the Republic of Turkey and related legislation (Note I.A.(2)), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

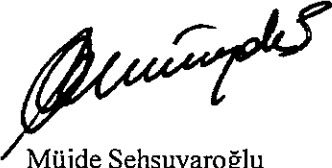
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Central Bank of the Republic of Turkey and related legislation (Note I. A. (2)).

Additional Paragraph for English Translation

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

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



Müjde Şehsuvaroğlu
Partner

Istanbul, 22 February 2017

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEETS AS OF 31 DECEMBER 2016 AND 2015

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

	Note (Section II)	Audited 31 December 2016	Audited 31 December 2015
1. GOLD RESERVES	1	49.449.492	51.191.476
1.1 International Standards		49.449.492	51.191.476
2. FOREIGN CURRENCY BANKNOTES		6.259.811	4.183.399
3. FOREIGN CORRESPONDENTS	2	317.709.256	265.541.844
3.1 Foreign Currency Securities		286.470.939	241.664.149
3.2 Deposit		24.391.271	19.711.938
3.3 Other		6.847.046	4.165.757
4. RESERVE TRANCHE POSITION	10	533.911	455.273
5. SECURITIES PORTFOLIO	3	13.889.108	8.957.518
5.1 Government Domestic Debt Securities		13.636.436	8.677.647
5.2 Other		252.672	279.871
6. RECEIVABLES DUE TO MONETARY POLICY OPERATIONS	3	95.555.846	95.475.070
6.1 Open Market Operations		71.355.625	89.537.798
6.2 Interbank Money Market Operations		24.200.221	5.937.272
7. DOMESTIC CORRESPONDENTS	4	-	-
8. LOANS	5	37.622.354	22.746.403
8.1 Domestic Loans		37.590.465	22.719.309
8.1.1 Discount Loans		37.590.465	22.719.309
8.1.2 Other Loans		-	-
8.2 Foreign Loans		31.889	27.094
9. EQUITY PARTICIPATIONS	6	917.956	753.092
10. TREASURY LIABILITIES DUE TO SDR ALLOCATION	10	5.071.996	4.324.958
11. FIXED ASSETS (Net)	7	660.625	674.044
12. LOANS UNDER LEGAL FOLLOW-UP (Net)	5	-	-
12.1 Loans Under Legal Follow-Up		5.423.981	4.458.845
12.2 Provision of Loans Under Legal Follow-Up (-)		(5.423.981)	(4.458.845)
13. DEFERRED TAX ASSETS	14	4.128	7.572
14. OTHER ASSETS	8	2.444.113	2.541.259
14.1 Gold Reserve in Non-International Standards	1	416.756	315.557
14.2 Coins		131.585	105.359
14.3 Income Accruals		43.309	36.022
14.4 Other		1.852.463	2.084.321
TOTAL ASSETS		530.118.596	456.851.908

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 2016 AND 2015

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

	Note (Section II)	Audited 31 December 2016	Audited 31 December 2015
1. CURRENCY IN CIRCULATION	9	122.959.913	103.042.636
2. PAYABLES DUE TO MONETARY POLICY OPERATIONS	3	50.320	26.505
2.1 Open Market Operations		-	-
2.2 Interbank Money Market Operations		50.320	26.505
2.3 Liquidity Bills		-	-
3. DEPOSITS	11	315.092.997	283.679.871
3.1 Public Sector		25.030.296	28.633.963
3.1.1 Treasury, General and Annexed Budget Administrations		25.021.999	28.625.963
3.1.2 Other		8.297	8.000
3.2 Banking Sector		285.089.599	249.463.369
3.2.1 Domestic Banks		99.621.925	41.743.731
3.2.2 Foreign Banks		560.943	10.639
3.2.3 Reserve Requirements		184.905.999	207.708.761
3.2.3.1 Cash		150.683.070	168.046.466
3.2.3.2 Gold		34.222.929	39.662.295
3.2.4 Other		732	238
3.3 Other Deposits		4.973.102	5.582.539
3.3.1 Foreign Exchange Deposits By Citizens Abroad		2.929.286	3.900.911
3.3.2 International Institutions		51.540	13.721
3.3.3 Funds		215.074	210.833
3.3.4 Other		1.777.202	1.457.074
4. FOREIGN CORRESPONDENTS		1.318	1.088
5. RESERVE TRANCHE POSITION	10	533.911	455.273
6. SDR ALLOCATION	10	5.071.996	4.324.958
7. TAX LIABILITY	14	1.715.182	2.430.845
7.1 Taxes Payable		1.715.182	2.430.845
8. PROVISIONS	13	437.861	415.247
9. SHARE CAPITAL AND LEGAL RESERVES	12	18.458.180	13.775.612
9.1 Paid-in Share Capital		25	25
9.2 Adjustment to Paid-in Share Capital		46.209	46.209
9.3 Legal Reserves		18.411.946	13.729.378
10. VALUATION ACCOUNT	15	53.408.966	32.651.757
11. PROFIT FOR THE YEAR		9.555.947	13.857.322
12. OTHER LIABILITIES	16	2.832.005	2.190.794
12.1 Treasury Gold		45.321	34.316
12.2 Letter of Credits		1.493.912	1.093.229
12.3 Expense Accruals		5.448	3.224
12.4 Other		1.287.324	1.060.025
TOTAL LIABILITIES		530.118.596	456.851.908

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 2016 AND 2015

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

	Note	Audited 1 January - 31 December 2016	Audited 1 January - 31 December 2015
I - INTEREST INCOME	1	11.471.095	8.358.772
II - INTEREST EXPENSE	2	(3.119.710)	(1.997.385)
III - NET INTEREST INCOME / (EXPENSE)		8.351.385	6.361.387
IV - NET COMMISSION AND SERVICE INCOME		485.128	462.757
- Commission and Service Income		502.302	477.292
- Commission and Service Expenses		(17.174)	(14.535)
V - NON-INTEREST INCOME	3	5.429.687	12.729.698
VI - NON-INTEREST EXPENSES	4	(3.089.334)	(3.351.236)
VII- PROFIT BEFORE TAXATION {III+IV+V-VI}		11.176.866	16.202.606
VIII - TAXATION	Section II Note 14	1.620.919	2.345.284
-Tax Provision		1.625.061	2.350.351
-Deferred Tax Income/(Expense)		(4.142)	(5.067)
IX - NET PROFIT FOR THE YEAR {VII-VIII}		9.555.947	13.857.322

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 2016 AND 2015

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

	Audited 31 December 2016	Audited 31 December 2015
OFF - BALANCE SHEET COMMITMENTS		
A. Securities in Custody	138.424.146	91.664.440
1. Marketable Securities in Custody - Free (*)	119.713.167	73.879.974
2. Deal Securities (*)	202.131	179.550
3. Marketable Security Exchange Market Banks Guarantee Letters Depot	410.594	383.633
4. Government Debt Security Depot of Savings Deposits Insurance Fund, Exempt From Income Tax	16.586.714	15.715.301
5. Other (*)	1.511.540	1.505.982
B. Guarantees Received	34.205.039	29.351.340
1. Government Debt Security Depots of Banks under Foreign Exchange Market Guarantee (*)	987.882	699.900
2. Bonds as Interbank Money Market Operations Guarantee (*)	15.785.437	8.591.677
3. Government Debt Security Depots Accepted as Guarantee for Open Market Operations	3.280.841	10.395.994
4. Intermediary Institutions' Pledged Government Debt Security Depots	-	-
5. Other (*)	14.150.879	9.663.769
C. Obsolete and Reserve Banknotes	87.546.886	64.599.394
1. Reserve Banknotes - Head Office	37.530.662	18.943.382
2. Reserve Banknotes -- Branches, Banknotes Depots and Other Units	49.694.669	45.153.068
3. Obsolete Banknotes - Head Office	74.085	163.859
4. Obsolete Banknotes - Branches	247.470	339.085
D. Other	335.691.276	336.745.590
1. Repurchase Agreements Pledged Account (*)	-	3.295.923
2. Bank Treasury Bonds Portfolio and Security Depots Received Through Repo Transactions	79.442.699	93.610.481
3. Customer Transactions Portfolio -- Takasbank and MKK (*)	251.748.648	238.974.851
4. Branches' Marketable Security Portfolio in Electronic Security Fund Transfer System	-	54.761
5. BIST Members' Treasury Bond Depot	30.626	29.303
6. Other (*)	4.469.303	780.271
E. Unpublished Marketable Securities Depots in Electronic Marketable Security Transfer Recording	452.087.081	423.131.368
TOTAL (A+B+C+D+E)	1.047.954.427	945.492.132

(*) 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 2016 AND 2015

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

	Share Capital	Capital Reserves Due to Inflation Accounting	Legal Reserves	Equity Participations Value Increase Fund(*)	Retirement Pay Actuarial Gains / (Losses) (*)	Retained Earnings/ (Accumulated Deficit) (*)	Net Profit For the Year	Total Shareholders' Equity
Balance at 1 January 2015	25	46.209	10.901.583	542.980	2.490	8.630.551	-	20.123.838
Fair Value Increase / (Decrease) in Equity Participations	-	-	-	106.405	-	-	-	106.405
<u>Profit Distribution:</u>								
Dividends	-	-	-	-	-	(5.809.798)	-	(5.809.798)
- Treasury	-	-	-	-	-	(5.801.438)	-	(5.801.438)
- Other Shareholders	-	-	-	-	-	(3)	-	(3)
- Employees	-	-	-	-	-	(8.357)	-	(8.357)
Transferred to Equity Reserves	-	-	2.827.795	-	-	(2.827.795)	-	-
Net Profit for the Year	-	-	-	-	-	-	13.857.322	13.857.322
Balance at 31 December 2015	25	46.209	13.729.378	649.385	2.490	(7.042)	13.857.322	28.277.767
Balance at 1 January 2016	25	46.209	13.729.378	649.385	2.490	13.850.280	-	28.277.767
Fair Value Increase / (Decrease) in Equity Participations	-	-	-	144.160	-	-	-	144.160
<u>Profit Distribution:</u>								
Dividends	-	-	-	-	-	(9.312.165)	-	(9.312.165)
- Treasury	-	-	-	-	-	(9.303.012)	-	(9.303.012)
- Other Shareholders	-	-	-	-	-	(3)	-	(3)
- Employees	-	-	-	-	-	(9.150)	-	(9.150)
Transferred to Equity Reserves	-	-	4.535.422	-	-	(4.535.422)	-	-
Net Profit for the Year	-	-	147.146	-	-	-	147.146	147.146
Balance at 31 December 2016	25	46.209	18.411.946	793.545	2.490	2.693	9.555.947	28.812.855

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

(**) Refers to banknotes that are subject of limitations transferred to reserves in the reserve fund in accordance with Article 59 of the CBRT Law.

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 2016 AND 2015

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

	Audited 1 January - 31 December 2016 (*)	Audited 1 January - 31 December 2015(**)
A. DISTRIBUTION OF PROFIT FOR THE YEAR		
1. Profit for the year	11.176.866	16.202.606
2. Taxes Payable and Legal Liabilities	(1.620.919)	(2.345.284)
- Corporate Tax (Income Tax)	(1.625.061)	(2.350.351)
- Income Tax	-	-
- Other Taxes and Legal Liabilities	4.142	5.067
NET PROFIT FOR THE YEAR	9.555.947	13.857.322
3. Prior Year Losses	2.693	(7.042)
4. Legal Reserves	-	(4.535.422)
5. Other Legal Funds	-	-
DISTRIBUTABLE PROFIT FOR THE YEAR	-	-
6. Dividends to Shareholders	-	(3)
7. Dividends to Employees	-	(9.150)
DUE TO REPUBLIC OF TURKEY PRIME MINISTRY UNDERSECRETARIAT OF TREASURY ("TURKISH TREASURY") ACCORDING TO THE CENTRAL BANK LAW NO. 1211	-	(9.303.012)

(*) 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 2016. 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 2016 will be decided based on the resolution of the General Assembly to be held in April 2017.

(**) In accordance with the resolution of the General Assembly, dated 11 April 2016, the Bank allocated reserves according to Article 60 of the CBRT 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 2016 AND 2015

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

	Note (Section II, III, IV)	Audited 1 January – 31 December 2016	Audited 1 January – 31 December 2015
Cash flows (used in) / from operations			
Net profit/ (loss) for the year		9.555.947	13.857.322
Adjustments:			
Depreciation of fixed assets and amortization expenses	III, 4	32.825	29.525
Retirement pay provision	II,13	32.055	36.032
Net interest income		(8.351.385)	(6.361.387)
Dividend income	III, 3	(6.562)	(6.355)
Net commission income		(485.128)	(462.758)
Taxation income/expense	II,14	1.620.919	2.345.284
Increase/decrease in value of financial assets, net		73.119	729.891
(Profit) / loss resulting from fixed asset sales		(40)	3.383
Other		(953.286)	(894.923)
Cash flows from operating income before changes in operating assets and liabilities		1.518.464	9.276.014
Changes in operating assets and liabilities:			
Changes in gold reserves		2.817.229	(2.739.286)
Changes in marketable securities		(1.926.328)	34.257.336
Net change in loans and advances given		(11.889.817)	(1.424.510)
Net change in other assets		232.741	(677.821)
Net change in currency in circulation		19.917.277	17.924.414
Changes in liabilities due to money market operations		23.800	(5.801)
Net change in deposits		(7.290.343)	4.565.889
Net change in other liabilities		3.958.629	(5.318.199)
Taxes paid		(1.889.310)	(1.775.608)
Retirement payments made	II,13	(9.441)	(6.032)
Interest received		11.492.346	8.125.964
Interest paid		(3.096.479)	(2.102.343)
Commissions received, net		495.014	473.021
Commissions paid		(17.174)	(14.535)
Cash flows from / (used in) operations		14.336.608	60.558.503
Cash flows related to investments activities			
Fixed asset purchases		(20.981)	(57.494)
Cash generated from fixed asset sales		1.615	-
Dividend received	III,3	6.562	6.355
Cash flows used in investments activities		(12.804)	(51.139)
Cash flows related to financing activities			
Dividends paid		(9.312.165)	(5.809.798)
Net cash used in financing activities		(9.312.165)	(5.809.798)
Effect of changes in exchange rates on cash and cash equivalents		4.536.338	3.597.190
Changes in cash and cash equivalents		9.547.977	58.294.756
Cash and cash equivalents at the beginning of the year	IV,1	123.571.415	65.276.660
Cash and cash equivalents at the end of the year	IV,2	133.119.392	123.571.416

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

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2016

(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 2016 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 2016

(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 (2016: 1.159,10 US Dollars/2015: 1.062,25 US Dollars) on the basis of 1 ounce being equal to 31,1035 grams and presented on the balance sheet after being converted to Turkish Lira. Fair value changes of gold reserves both arising from changes in price and exchange rates are accounted for as unrealized gains or losses under "Valuation Account" in accordance with the Article 61 of the Central Bank Law.

As of the end of year 2016, gold rate used in the valuation is TL/ounce 4.079 (2015: TL/ounce 3.089).

d. Financial Instruments

Securities Portfolio

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

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2016

(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 2016

(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.

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

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

d. Financial Instruments (Continued)

Financial Liabilities

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

e. Banknotes in Circulation

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

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

Demonetized Currency - Turkish Lira and New Turkish Lira

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

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

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

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2016

(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
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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
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(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 2016	31 December 2015
(1 Euro = TL)	3,7099 TL	3,1776 TL
(1 US Dollar = TL)	3,5192 TL	2,9076 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 2016	31 December 2015
Euro	3,7099 TL	3,1776 TL
US Dollar	3,5192 TL	2,9076 TL

Prior to Balance Sheet Date (Euro)

	31 December 2016	31 December 2015
Bid rate of the 1st Day	3,7099 TL	3,1776 TL
Bid rate of the 2nd Day	3,6939 TL	3,1921 TL
Bid rate of the 3rd Day	3,6901 TL	3,2006 TL
Bid rate of the 4th Day	3,6711 TL	3,1904 TL
Bid rate of the 5th Day	3,6639 TL	3,1968 TL

Prior to Balance Sheet Date (US Dollar)

	31 December 2016	31 December 2015
Bid rate of the 1st Day	3,5192 TL	2,9076 TL
Bid rate of the 2nd Day	3,5318 TL	2,9084 TL
Bid rate of the 3rd Day	3,5329 TL	2,9157 TL
Bid rate of the 4th Day	3,5135 TL	2,9123 TL
Bid rate of the 5th Day	3,5041 TL	2,9187 TL

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2016

(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 2016</u>		<u>31 December 2015</u>	
	Thousand TL	Million USD Dollar	Thousand TL	Million USD Dollar
I- Foreign Currency Assets				
1) Gold Reserves	49.449.492	14.051	51.191.476	17.606
2) Foreign Currency Banknotes	6.259.811	1.779	4.183.399	1.439
3) Foreign Correspondents	317.709.256	90.279	265.541.844	91.327
4) Reserve Tranche Position	533.911	152	455.273	157
5) Securities Portfolio	-	-	-	-
6) Receivables Due to Monetary Policy Operations	-	-	-	-
7) Domestic Correspondents	-	-	-	-
8) Loans	37.622.354	10.691	22.746.403	7.823
9) Equity Participations	917.956	261	753.092	259
10) Treasury Liabilities Due to SDR Allocation	5.071.996	1.441	4.324.958	1.487
11) Fixed Assets (Net)	-	-	-	-
12) Loans Under Legal Follow-Up (Net)	-	-	-	-
13) Deferred Tax Assets	-	-	-	-
14) Other Assets	5.640	2	5.205	2
Total Foreign Currency Assets	417.570.416	118.656	349.201.650	120.100
II- Foreign Currency Liabilities				
1) Currency in Circulation	-	-	-	-
2) Payables Due to Monetary Policy Operations	-	-	-	-
3) Deposits	258.051.793	73.327	242.204.169	83.300
a) Public Sector	13.013.336	3.698	6.465.556	2.224
b) Banking Sector	240.745.855	68.409	230.664.263	79.331
c) Other Deposits	4.292.602	1.220	5.074.350	1.745
4) Foreign Correspondents	1.318	-	1.088	-
5) Reserve Tranche Position	533.911	152	455.273	157
6) SDR Allocation	5.071.996	1.441	4.324.958	1.487
7) Tax Liability	-	-	-	-
8) Provisions	-	-	-	-
9) Share Capital and Legal Reserves	-	-	-	-
10) Valuation Account	-	-	-	-
11) Profit for the Year	-	-	-	-
12) Other Liabilities	1.966.799	559	1.486.700	512
Total Foreign Currency Liabilities	265.625.817	75.479	248.472.188	85.456
Net Foreign Currency Position	151.944.599	43.177	100.729.462	34.644

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
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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 2016				31 December 2015			
	Cost	Accumulated depreciation	Net book value	Insurance coverage	Cost	Accumulated depreciation	Net book value	Insurance Coverage
Furniture								
And Fixture	256.968	173.699	83.269	235.301	245.076	148.181	96.895	200.078
Property	735.457	158.101	577.356	302.152	729.297	152.148	577.149	299.614
	992.425	331.800	660.625	537.453	974.373	300.329	674.044	499.692

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

As of 31 December 2016, there is a number of legal proceedings outstanding against the Bank amounting to TL 4.253 thousand, US Dollar 64.596.952 and EUR 222.397 (31 December 2015: TL 4.369 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 in April 2017, 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 2016 amounting to TL 11.174.977 thousand stated in the legal books kept by the Bank in accordance with the 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 2016

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

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

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

There are no foreign branches; however the Bank has representatives working in Turkish Representations in Frankfurt, London, New York, Beijing, Tokyo and Doha.

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

The financial statements for the year ended 31 December 2016 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 2016, the Bank owns 116.103.765 (31 December 2015: 116.103.765) net grams of gold in international standards and 3.177.798 (31 December 2015: 3.177.798) net grams of gold in non-international standards, and 260.952.572 net grams of gold which belongs to the banks those deposited gold in order to meet their reserve requirements (31 December 2015: 399.416.229). 310.054.133 (31 December 2015: 424.710.430) grams of the gold in international standards is kept at the Bank of England ("BOE) and Federal Reserve Bank of New York ("FED"), 33.331.558 (31 December 2015: 57.138.919) grams of gold is kept in Istanbul Stock Exchange and the remaining 33.670.645 (31 December 2015: 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 2015: 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 2016 and 31 December 2015 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 2016	31 December 2015
Gold in International Standards	49.449.492	51.191.476
CBRT's own gold	15.226.563	11.529.181
Care of the BOE	7.048.281	5.336.786
Care of the FED	3.762.506	2.848.878
Domestic gold	4.415.776	3.343.517
Required reserves of the banks	34.222.929	39.662.295
Care of the BOE	29.851.623	33.988.363
Care of BIST	4.371.306	5.673.932
Gold in Non-International Standard	416.756	315.557
CBRT	371.435	281.241
Treasury	45.321	34.316

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

(2) Foreign Correspondents

	31 December 2016		31 December 2015	
	Thousand TL	Million USD Dollar	Thousand TL	Million USD Dollar
Foreign Currency Securities	286.470.939	81.402	241.664.149	83.115
Deposit	24.391.271	6.931	19.711.938	6.779
Other	6.847.046	1.946	4.165.757	1.433
- Demand deposits	2.272.455	646	264.281	91
- SDR holdings account	4.573.611	1.300	3.900.212	1.342
- Other	980	-	1.264	-
Total	317.709.256	90.279	265.541.844	91.327

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 2016, foreign currency securities held for reserve purpose amounting to TL 286.470.939 thousand (31 December 2015: TL 241.664.149 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 2016, securities portfolio amounting to TL 13.889.108 thousand consists of government bonds with outright purchase. (As of 31 December 2015: The securities portfolio amounting to TL 8.957.518 thousand consists of government bonds with outright purchase.)

Breakdown of securities portfolio as of 31 December 2016 are as follows:

	31 December 2016			
	Acquisition Cost	Accrual (net)	Carrying Amount	Fair Value
<u>Purchases under Agreements to Resell:</u>				
Treasury Bills and Government Bonds				
1. Fixed Income	-	-	-	-
2. Indexed to Inflation	-	-	-	-
3. Indexed to Foreign Currency	-	-	-	-
4. Foreign Currency	-	-	-	-
5. Floating Rate	-	-	-	-
<u>Outright Purchases:</u>				
Treasury Bills and Government Bonds				
1. Fixed Income	13.913.259	(24.152)	13.889.108	13.889.108
2. Indexed to Inflation	-	-	-	-
3. Indexed to Foreign Currency	-	-	-	-
4. Foreign Currency	-	-	-	-
5. Floating Rate	-	-	-	-
TOTAL	13.913.259	(24.152)	13.889.108	13.889.108

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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 2016 the nominal values of TL securities acquired by outright purchases amounts to TL 13.945.000 thousand. (31 December 2015: 9.000.000 thousand TL)

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

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

(b) Receivables Due to Monetary Policy Operations

As of 31 December 2016, breakdown of the securities purchased under agreement to resell recognized in off-balance sheet is as follows:

	31 December 2016	
	Nominal	Fair value
<u>Purchases under Agreements to Resell:</u>		
Treasury Bills and Government Bonds		
1 Fixed Income	65.497.699	72.870.843
2 Inflation-Indexed	-	-
3 Indexed	-	-
4 Foreign Currency	-	-
5 Floating Rate	-	-
TOTAL	65.497.699	72.870.843
<u>31 December 2015</u>		
<u>Purchases under Agreements to Resell:</u>		
Treasury Bills and Government Bonds		
1 Fixed Income	84.610.481	90.812.272
2 Inflation-Indexed	-	-
3 Indexed	-	-
4 Foreign Currency	-	-
5 Floating Rate	-	-
TOTAL	84.610.481	90.812.272

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

**NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2016**

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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 2016 – Securities purchased under agreements to resell presented under Open Market Operations consists of TL 71.355.625 thousand of capital paid and the accrued interest income (31 December 2015: TL 89.537.798 thousand). As of 31 December 2016, the accrued interest on securities purchased under agreements to resell amounting to TL 48.626 thousand (31 December 2015: TL 64.798 thousand) is presented in the Receivables due to Monetary Policy Operations - Open Market Operations.

In addition, as of 31 December 2016, there is TL 24.200.221 thousand of Money Market receivable including income accruals due from the transactions the Bank entered into on its behalf (31 December 2015: TL 5.937.272 thousand). Interest income accrual amounting to TL 11.421 thousand (31 December 2015: TL 1.772 thousand) are accounted for in the same account.

In addition, as of 31 December 2016, TL 50.320 thousand the Bank received from Interbank Money Market including expense accruals (31 December 2015: TL 26.505 thousand) as the counterparty of the transaction was presented as Liabilities due Monetary Policy Operations - Interbank Money Market Operations. Accrued interest expense of this liability; TL 20 thousand; (31 December 2015: TL 5 thousand) was also accounted for in the same account.

(4) Domestic Correspondents

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

As of 31 December 2016, there are no foreign currency interbank money market transactions where the Bank acted as intermediary. (31 December 2015: None)

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**NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
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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 2016 loans to domestic banks; TL 37.590.465 thousand (31 December 2015: TL 22.719.309 thousand) consists of the discount loans.

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

None. (31 December 2015: 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 2016		31 December 2015	
	Thousand TL	Thousand USD Dollar	Thousand TL	Thousand USD Dollar
Opening balance	4.458.845	1.267.005	3.549.661	1.220.822
- Increases during the Period (+) (*)	22.506	6.395	6.405	2.203
- Transfers from Other Follow-up Accounts (+)	-	-	-	-
- Transfers to Other Follow-up Accounts (-)	-	-	-	-
- Collections during the Period (-)	-	-	-	-
- Write-offs (-)	-	-	-	-
- Foreign Exchange Differences	942.630	267.854	902.779	310.489
Closing balance	5.423.981	1.541.254	4.458.845	1.533.514
- Allowance (-)	(5.423.981)	(1.541.254)	(4.458.845)	(1.533.514)
Net balance after allowance	-	-	-	-

(*) As of 31 December 2016, TL 22.506 thousand of increase during the period (31 December 2015: TL 6.405 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.

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6) Equity Participations

As of 31 December 2016 and 2015, the Bank’s equity participations are as follows:

Title	Share rate (%)	Total Paid-in Share Capital	31 December 2016 Acquisition Cost	31 December 2015 Acquisition Cost	31 December 2016 Carrying Value	31 December 2015 Carrying Value
Bank for International Settlements (BIS) (*) (**)	1,43	698,9 million SDR	(*) 10.000.000 SDR	(*) 10.000.000 SDR	882.636	723.924
International Islamic Liquidity Management Corporation (IILM)	13,33	75 million USD	10.000.000 USD	10.000.000 USD	35.192	29.076
S.W.I.F.T.	0,007	13,8 million Euro	18.320 Euro	18.320 Euro	128	92
Total Affiliates					917.956	753.092

(*) 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 164.864 thousand of valuation increase; which is TL 13.117 thousand the foreign currency valuation difference; was accounted for in the “Valuation Account”; and the remaining TL 151.747 thousand (TL 144.160 thousand after deducting deferred tax effect TL 7.587 thousand) was accounted for as “Fair value increase/(decrease) in equity participations” under “Other Liabilities”. (Refer to Not II. 16)

Movement of equity participations	2016	2015
Opening balance (1 January)	753.092	628.430
Change in fair value for the year	151.747	112.005
The effect of foreign currency valuation for the year	13.117	12.657
Ending Balance (31 December)	917.956	753.092

In the year ended 31 December 2016, there isn’t any purchased or disposed equity participation.

In 2016 the profit share was collected from Bank for International Settlements is TL 6.562 thousand. (2015: TL 6.355 thousand).

(7) Fixed Assets

As of 31 December 2016, the cost of property and related accumulated depreciation amounts to TL 735.457 thousand (31 December 2015: TL 729.297 thousand) and TL 158.101 thousand (31 December 2015: TL 152.148 thousand) respectively, whereas the cost of furniture and fixture and related accumulated depreciation amounts to TL 256.968 thousand (31 December 2015: TL 245.076 thousand) and TL 173.699 thousand (31 December 2015: TL 148.181 thousand) respectively.

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(8) Other Assets

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

	31 December 2016	31 December 2015
Temporary tax to be deducted from corporate tax	1.447.972	1.623.928
Taxes to be deducted from income tax withholding	222.735	285.085
Printing plant inventory	50.983	48.379
Construction in progress expenses	25.021	10.149
Other materials and warehouses	9.647	9.302
Letter of credit expenses of banknote printing office	352	5.527
Collection banknote depot	3.183	3.183
Medallion depot	493	549
Other	92.077	98.220
Total	1.852.463	2.084.321

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

	31 December 2016	31 December 2015
Commissions and expenses to be collected from Treasury(*)	25.909	21.606
EFT commission income accrual	15.601	14.045
Other	1.799	371
Total Interest and Income Accruals	43.309	36.022

(*) 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 2016, the banknotes in circulation amount to TL 122.959.913 thousand (31 December 2015: TL 103.042.636 thousand).

Movement of banknotes in circulation	2016	2015
1 January Balance	103.042.636	85.118.222
Banknotes issued into circulation	55.309.941	45.739.890
Banknotes withdrawn from circulation and destroyed	(35.245.518)	(27.815.476)
Expired banknotes	(147.146)	-
31 December Balance	122.959.913	103.042.636

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

(10) Reserve Tranche Position

As of 18 February 2016, under the scope of the membership to the International Monetary Fund ("IMF"), the country quota of Turkey was increased by SDR 3.202.800.000, reaching SDR 4.658.600.000.

As of 31 December 2016, Reserve Tranche Position represents the prepayment of SDR 112.775.000 for the total IMF quota of SDR 4.658.600.000 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 2016, the balance of the account amounts to TL 533.911 thousand (31 December 2015: TL 455.273 thousand).

SDR 112.307.000 (31 December 2015: 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 2016, the balance is TL 5.071.996 thousand (31 December 2015: 4.324.958 thousand TL).

(11) Deposits

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

Public Sector and Banking Sector Deposits

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

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

Deposits by citizens abroad

As of 31 December 2016, deposits by citizens abroad amounting to TL 2.929.286 thousand (31 December 2015: TL 3.900.911 thousand) consist of deposits by Turkish citizens living abroad.

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

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(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 2016			31 December 2015		
	Foreign Currency Balance (000)	Thousand TL Equivalent	Interest rates (*)	Foreign Currency Balance (000)	Thousand TL Equivalent	Interest rates (*)
Euro	744.608	2.762.421	0,00% - 0,25%	1.160.946	3.689.023	0,25%
USD Dollar	37.730	132.779	0,00% - 0,25%	58.664	170.573	0,25%
CHF	9.529	32.831	0,00% - 0,25%	13.573	39.740	0,25%
Other	295	1.255	0,00% - 0,25%	372	1.576	0,25%
Total		2.929.286			3.900.911	

(*) Minimum interest rates of the deposit accounts other than the ones mentioned above are 0,00%, 0,00%, 0,00% and 0,00% for EUR, US Dollar, CHF and GBP respectively as of 31 December 2016 (31 December 2015: 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 2016, TL 46.509 thousand (31 December 2015: TL 13.651 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 15 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 2015: TL 13 thousand). In addition, as of 31 December 2016, there is TL 5.016 thousand of deposit belonging to African Development Bank (AfKB) within the Bank's deposits by international institutions account. (31 December 2015: TL 57 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 (full TL basis) and it is divided into 250.000 shares, with a par value of Kr 10 (TL 0,1) 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 2016 and 2015:

	31 December 2016	31 December 2015
Nominal capital	25	25
Inflation adjustment to share capital	46.209	46.209
Total capital	46.234	46.234

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(12) Share Capital and Legal Reserves (continued)

The list of Bank's shareholders is presented below:

	31 December 2016		31 December 2015	
	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
Mervak İç ve Dış Ticaret A.Ş.	1.280	5	1.280	5
Türkiye Garanti Bankası A.Ş.	621	3	621	3
Türkiye İş Bankası A.Ş.	582	2	582	2
T.C. Sosyal Güvenlik Kurumu	350	2	350	2
Türkiye Kızılay Derneği	301	1	301	1
Türkiye Halk Bankası A.Ş.	277	1	277	1
Other	3.003	12	3.003	12
Total nominal capital	25.000	100	25.000	100

(*) Share amounts are stated in full TL basis.

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 11 April 2016 and Tax Procedure Law numbered 213, the Bank distributed TL 9.150 thousand to its employees from the net total profit of year 2015 amounting TL 13.847.587 thousand TL, 3 thousand to shareholders as dividend out of the profit and TL 4.535.422 thousand was transferred to reserves. The remaining amount of TL 9.303.012 thousand was transferred to Turkish Treasury.

(13) Provisions

Retirement Pay Provision

As of 31 December 2016, the Bank calculated retirement pay provision amounting to TL 194.805 thousand (31 December 2015: TL 172.191 thousand) and recorded the full provision under the provision account.

Movement of retirement pay provision is presented below:

	<u>2016</u>	<u>2015</u>
1 January Balance	172.191	142.191
Service cost	25.166	30.359
Interest cost	6.889	5.673
Paid during the current year	(9.441)	(6.032)
31 December Balance	194.805	172.191

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(13) Provisions (continued)

Insurance Provision for Money in Transit

As of 31 December 2016, the Bank, calculated provision for the transfer insurance of banknotes, cash and securities amounting to TL 243.056 thousand (31 December 2015: TL 243.056 thousand) and recorded the provision amount under the provision account.

(14) Tax Liability

Corporate Tax Provision

	<u>31 December</u> <u>2016</u>	<u>31 December</u> <u>2015</u>
Corporate tax	1.625.061	2.350.351
Other taxes (*)	90.121	80.494
Tax obligation – net	1.715.182	2.430.845

(*)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% (2015: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2016 is 20%. (2015: 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 for the years 2016 and 2015 is as follows:

	<u>1 January –</u> <u>31 December</u> <u>2016</u>	<u>1 January –</u> <u>31 December</u> <u>2015</u>
- Corporate tax	(1.625.061)	(2.350.351)
- Deferred tax income	4.142	5.067
Tax expense	1.620.919	2.345.284

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(14) Tax Liability (Continued)

Deferred Tax

As of 31 December 2016 and 31 December 2015, the details of temporary differences and calculated deferred tax assets/ (liabilities) are presented below:

	Total temporary differences	Deferred Tax Assets/(Liabilities)
	31 December 2016	31 December 2016
Retirement pay provision	194.805	38.961
Fixed asset depreciation adjustment	34.653	6.932
Fair value increase/(decrease) of equity participations	(835.293)	(41.765)
Net Assets		4.128

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

As of 31 December 2016 and 2015, movement of deferred tax assets is presented below:

	2016	2015
1 January Balance	7.572	8.106
Deferred tax associated with the income statement, net	4.142	5.067
Deferred tax associated with other liabilities (*)	(7.586)	(5.601)
31 December Balance	4.128	7.572

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

Reconciliation of tax expense is presented below:

	2016	2015
Profit/(loss) before tax	11.176.866	16.202.606
Provision calculated over the corporate tax rate (20 %)	2.235.373	3.240.521
Tax allowance	(632.369)	(915.602)
Undeductible expenses	17.915	20.365
Tax expense/(income)	1.620.919	2.345.284

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(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 2016, TL 45.321 thousand (31 December 2015: TL 34.316 thousand) of other liabilities is the gold reserve in non-international standard kept on behalf of Treasury.

Other liabilities – other is presented below:

	<u>31 December</u> <u>2016</u>	<u>31 December</u> <u>2015</u>
Fair value increase/(decrease) in equity participations	793.545	649.385
Account transactions with subsequent dates	396.026	341.029
Withholding tax belongs to repo interest written as income via rediscount	7.295	9.726
Seized and prudent money	698	5.450
Amounts waiting for the application of beneficiaries	552	4.787
Debts from bonds waiting for court decisions	4.116	4.625
Bills and money orders to be paid	12.674	4.307
Retirement pay provision actuarial gain	2.490	2.490
Payments to heirs as a result of death	10.405	2.050
Interests waiting because of its being under the limit	11.917	10.216
Money to be liquidated to the following period	412	1.590
Prior year’s gains / (losses)	2.693	(7.042)
Other	44.501	31.412
Total	1.287.324	1.060.025

Other liabilities –Breakdown of accrual expenses are shown below:

	<u>31 December</u> <u>2016</u>	<u>31 December</u> <u>2015</u>
Interest accrual expense of IMF periodic payments	1.814	361
Other	3.634	2.863
Total Accrual Expenses	5.448	3.224

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As of 31 December 2016 and 2015, TL and foreign currency denominated securities expressed in TL thousand 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 units:

	31 December 2016			31 December 2015					
	A	B	C	D	E	F	G	H	E+F+H
	TL	FC	FC	Number	TL(Original)	FC	FC	Number	Total
	(Original Money)	(TL Equivalent)	(TL Equivalent)			(TL Equivalent)			
OFF-BALANCE SHEET LIABILITIES									
A. Securities in Custody	138,401,892	22,182	69,689	72	91,647,372	17,045	59,397	23	91,664,440
1. Marketable Securities in Custody – Free	119,699,771	13,396	62,180	-	73,866,158	13,816	54,202	-	73,879,974
2. Deal Securities	202,078	-	-	53	179,544	-	-	6	179,550
3. Marketable Security Exchange Market Banks' Guarantee Letters	410,594	-	-	-	383,633	-	-	-	383,633
4. Government Debt Security Depot of Savings Deposits Insurance Fund, Exempt from Income Tax	16,586,714	-	-	-	15,715,301	-	-	-	15,715,301
5. Other	1,502,735	8,786	7,509	19	1,502,736	3,229	5,195	17	1,505,982
B. Guarantees Received	19,378,775	14,826,053	53,444,158	211	18,647,338	10,703,791	32,016,196	211	29,351,340
1. Government Debt Security Deposits of Bank under Foreign Exchange Market Guarantee	987,882	418,675	1,484,847	-	699,900	-	-	-	699,900
2. Bonds as Interbank Money Market Operations Guarantees	15,366,762	260,000	910,429	-	8,370,193	221,484	689,613	-	8,591,677
3. Government Debt Security Deposits Accepted as Guarantee for Open Market Operations	3,020,841	-	-	-	3,280,841	-	-	-	3,280,841
4. Intermediary Institutions' Pledged Government Debt Security Deposits	-	-	-	-	9,576,994	819,000	2,381,324	-	10,395,994
5. Other	3,290	14,147,378	51,048,882	211	-	9,663,307	28,945,259	211	9,663,769
C. Obsolete and Reserve Banknotes	87,546,886	-	-	-	251	-	-	-	9,663,769
1. Reserve Banknotes - Head Office	37,530,662	-	-	-	64,599,394	-	-	-	64,599,394
2. Reserve Banknotes – Branches, Banknotes Deposits and Other Units	49,694,669	-	-	-	18,943,382	-	-	-	18,943,382
3. Obsolete Banknotes - Head Office and Branches	74,085	-	-	-	45,153,068	-	-	-	45,153,068
4. Obsolete Banknotes – Branches, Banknotes deposits and Other Units	247,470	-	-	-	163,859	-	-	-	163,859
D. Other	332,233,986	2,122,459	1,419,265	1,334,831	339,085	-	-	-	339,085
1. Repurchase Agreements Pledge Account	-	-	-	-	335,974,465	127,602	366,601	643,523	336,745,590
2. Bank Treasury Bonds Portfolio and Security Deposits Received Through Repo Transactions	79,442,699	-	-	-	3,295,923	-	-	-	3,295,923
3. Customer Transactions Portfolio – Takasbank and MKK	251,748,648	-	-	-	93,610,481	-	-	-	93,610,481
4. Marketable Security Portfolio in Electronic Security Fund Transfer System	-	-	-	-	238,974,851	-	-	-	238,974,851
5. BIST Members' Treasury Bond Depot	30,626	-	-	-	54,761	-	-	-	54,761
6. Other	1,012,013	2,122,459	1,419,265	1,334,831	29,303	-	-	-	29,303
E. Unpublished Marketable Securities Deposits in Electronic Marketable Security Transfer Recording	452,087,080	-	-	-	9,146	-	366,601	643,523	780,271
					423,131,368	-	-	-	423,131,368
TOTAL (A+B+C+D+E)	1,029,648,619	16,970,694	54,933,112	1,335,114	933,999,937	10,848,438	32,442,194	643,757	945,492,132

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

(1) Interest Income

	<u>1 January –</u> <u>31 December 2016</u>	<u>1 January –</u> <u>31 December 2015</u>
Interests received from transactions of purchases under agreements to resell	7.131.918	5.841.938
Interests received from TL and FC securities	2.744.355	2.238.649
Interest received from interbank monetary policy operations	1.246.627	176.933
Interest received from loans	164.674	74.837
Interest received from banks	183.521	26.415
Total	11.471.095	8.358.772

(2) Interest Expense

	<u>1 January –</u> <u>31 December 2016</u>	<u>1 January –</u> <u>31 December 2015</u>
Interest paid to banks	1.705.172	577.122
Interest paid to Undersecretariat of Treasury accounts	1.405.170	1.402.705
Interest paid to IMF general use of resources	3.967	2.098
Interest paid to deposits by citizens abroad	2.655	13.652
Interest paid to interbank monetary policy operations	2.661	1.808
Interest paid to open market operations	85	-
Total	3.119.710	1.997.385

(3) Non-Interest Income

	<u>1 January –</u> <u>31 December 2016</u>	<u>1 January –</u> <u>31 December 2015</u>
Foreign exchange gains	5.364.040	12.710.303
Gains on purchase and sale of securities	54.148	8.928
Income on equity participations	6.562	6.355
Other non-interest income	4.937	4.112
Total	5.429.687	12.729.698

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

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

(4) Non-interest Expenses

	<u>1 January – 31 December 2016</u>	<u>1 January – 31 December 2015</u>
Losses on purchase and sale of securities and fair value decreases	986.984	1.280.245
Provision for non-performing loans	965.136	909.184
Wages and salaries	687.093	631.546
General administrative and banknote expenses	195.471	177.377
Foreign exchange transaction losses	131.906	237.909
Depreciation expense	32.825	29.525
Social security expenses	85.590	81.422
Other non-interest expenses	4.329	4.028
Total	3.089.334	3.351.236

"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 22.506 thousand (2015: TL 6.405 thousand) and for the foreign exchange difference on non-performing loans amounting to TL 942.630 thousand occurred due to fluctuations in foreign exchange rates during the year (2015: TL 902.779 thousand).

IV. NOTES AND EXPLANATIONS TO CASH FLOW STATEMENT

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

	<u>1 January 2016</u>	<u>1 January 2015</u>
Foreign Currency Banknotes	4.183.399	2.091.972
Coins	105.359	67.257
Foreign Correspondents / Deposit	19.708.519	12.810.574
Foreign Correspondents / Other	4.165.639	3.897.857
Receivables due to Money Market Operations	95.408.500	46.409.000
Cash and Cash equivalents	123.571.416	65.276.660

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

	<u>31 December 2016</u>	<u>31 December 2015</u>
Foreign Currency Banknotes	6.259.811	4.183.399
Coins	131.585	105.359
Foreign Correspondents / Deposit	24.385.360	19.708.519
Foreign Correspondents / Other	6.846.836	4.165.639
Receivables due to Money Market Operations	95.495.800	95.408.500
Cash and Cash equivalents	133.119.392	123.571.416

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY
NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2016

(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 2016)	On Demand	In 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 years	5 years and over	Retained	Total
ASSET								
Gold Reserves	15.544.937	33.904.555	-	-	-	-	-	49.449.492
Foreign Currency Banknotes	6.259.811	-	-	-	-	-	-	6.259.811
Foreign Correspondents	6.847.046	35.098.933	54.380.390	167.273.945	53.442.032	666.910	-	317.709.256
Reserve Tranche Position	533.911	-	-	-	-	-	-	533.911
Securities Portfolio	-	-	1.485.441	308.405	12.095.262	-	-	13.889.108
Receivables due to Money Market Operations	-	95.555.846	-	-	-	-	-	95.555.846
Domestic Correspondents	-	-	-	-	-	-	-	-
Loans	31.889	6.073.641	8.962.325	22.554.499	-	-	-	37.622.354
Equity Participations	917.956	-	-	-	-	-	-	917.956
Treasury Liability due to SDR Allocation	5.071.996	-	-	-	-	-	-	5.071.996
Fixed Assets (Net)	-	-	-	-	-	-	660.625	660.625
Loans Under Legal Follow-up	-	-	-	-	-	-	-	-
Deferred Tax Asset	-	-	-	-	-	-	4.128	4.128
Other Assets	2.378.171	-	1.636	-	-	-	64.306	2.444.113
Total assets	37.585.717	170.632.975	64.829.792	190.136.849	65.537.294	666.910	729.059	530.118.596
LIABILITY								
Currency in Circulation	122.959.913	-	-	-	-	-	-	122.959.913
Payables due to Money Market Operations	-	50.320	-	-	-	-	-	50.320
Deposits	4.937.282	309.703.662	43.530	399.349	9.174	-	-	315.093.997
Foreign Correspondents	1.318	-	-	-	-	-	-	1.318
Reserve Tranche Position	533.911	-	-	-	-	-	-	533.911
SDR Allocation	5.071.996	-	-	-	-	-	-	5.071.996
Tax Liability	-	-	1.715.182	-	-	-	-	1.715.182
Provisions	-	-	-	-	-	-	437.861	437.861
Share Capital and Legal Reserves	-	-	-	-	-	-	18.458.180	18.458.180
Valuation Account	-	-	-	-	-	-	53.408.966	53,408,966
Profit for the Year	-	-	-	-	-	-	9,555,947	9,555,947
Other Liabilities	66.469	472.887	-	-	-	-	2,292,649	2,832,005
Total Liabilities	133.570.889	310.226.869	1.758.712	399.349	9.174	-	84.153.603	530.118.596
Net Liquidity Position	(95,985,172)	(139,593,894)	63,071,080	189,737,500	65,528,120	666,910	(83,424,544)	-

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
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(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 2015)	On Demand	In 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 years	5 years and over	Retained	Total
ASSET								
Gold Reserves	11.705.156	39.486.320	-	-	-	-	-	51.191.476
Foreign Currency Banknotes	4.183.399	-	-	-	-	-	-	4.183.399
Foreign Correspondents	4.165.757	32.996.203	37.239.385	129.499.327	61.631.123	10.049	-	265.541.844
Reserve Tranche Position	455.273	-	-	-	-	-	-	455.273
Securities Portfolio	-	1.244.664	1.112.072	418.193	6.182.589	-	-	8.957.518
Receivables due to Money Market Operations	-	95.475.070	-	-	-	-	-	95.475.070
Domestic Correspondents	-	-	-	-	-	-	-	-
Loans	26.347	3.094.317	6.255.259	13.370.480	-	-	-	22.746.403
Equity Participations	753.092	-	-	-	-	-	-	753.092
Treasury Liability due to SDR Allocation	4.324.958	-	-	-	-	-	-	4.324.958
Fixed Assets (Net)	-	-	-	-	-	-	674.044	674.044
Loans Under Legal Follow-up	-	-	-	-	-	-	-	-
Deferred Tax Asset	-	-	-	-	-	-	7.572	7.572
Other Assets	2.479.521	-	325	-	-	-	61.413	2.541.259
Total Assets	28.093.503	172.296.574	44.607.041	143.288.000	67.813.712	10.049	743.029	456.851.908
LIABILITY								
Currency in Circulation	103.042.636	-	-	-	-	-	-	103.042.636
Payables due to Money Market Operations	-	26.505	-	-	-	-	-	26.505
Deposits	3.470.537	278.382.475	183.508	1.083.253	560.098	-	-	283.679.871
Foreign Correspondents	1.088	-	-	-	-	-	-	1.088
Reserve Tranche Position	455.273	-	-	-	-	-	-	455.273
SDR Allocation	4,324,958	-	-	-	-	-	-	4,324,958
Tax Liability	-	-	2,430,845	-	-	-	-	2,430,845
Provisions	-	-	-	-	-	-	-	-
Share Capital and Legal Reserves	-	-	-	-	-	-	415,247	415,247
Valuation Account	-	-	-	-	-	-	13,775,612	13,775,612
Profit for the Year	-	-	-	-	-	-	32,651,757	32,651,757
Other Liabilities	59,262	393,470	-	-	-	-	13,857,322	13,857,322
Total Liabilities	111,353,754	278,802,450	2,614,353	1,083,253	560,098	-	62,438,000	456,851,908
Net Liquidity Position	(83,260,251)	(106,505,876)	41,992,688	142,204,747	67,253,614	10,049	(61,694,971)	-