

**THE CENTRAL BANK OF THE
REPUBLIC OF TURKEY
FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013
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 2013 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 2013 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.

Other matter

The Bank made certain changes in its accounting policies as explained in detail in Note I. A. (3) and the effect of such changes were accounted for in the opening financial statements as at 1 January 2013 and the previous financial statements were not restated.

As explained in Note I. A. (2) k, the Bank has made certain reclassifications in the previous year financial statements in order to maintain comparability with the presentation of the current year financial statements.

Additional Paragraph for English Translation

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

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

Müjde Şehsuvaroğlu
Partner

İstanbul, 28 February 2014

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEETS AS OF 31 DECEMBER 2013 AND 2012

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

	Note (Section II)	Audited 31 December 2013	Audited 31 December 2012
1. GOLD RESERVES	1	42.850.276	34.297.820
1.1 International Standards		42.850.276	34.297.820
2. FOREIGN CURRENCY BANKNOTES		3.754.572	700.397
3. FOREIGN CORRESPONDENTS	2	232.627.024	177.111.015
3.1 Foreign Currency Securities		211.123.803	168.698.993
3.2 Deposit		17.107.759	4.869.115
3.3 Other		4.395.462	3.542.907
4. RESERVE TRANCHE POSITION	10	370.973	310.537
5. SECURITIES PORTFOLIO	3	8.931.101	29.198.721
5.1 Government Domestic Debt Securities		8.931.101	29.198.721
5.2 Other		-	-
6. RECEIVABLES DUE TO MONETARY POLICY OPERATIONS	3	39.081.966	25.321.266
6.1 Open Market Operations		39.007.450	25.321.266
6.2 Interbank Money Market Operations		74.516	-
7. DOMESTIC CORRESPONDENTS	4	-	19.609
8. LOANS	5	13.329.215	6.882.647
8.1 Domestic Loans		13.307.134	6.800.717
8.1.1 Discount Loans		13.307.134	6.800.717
8.1.2 Other Loans		-	-
8.2 Foreign Loans		22.081	21.930
9. EQUITY PARTICIPATIONS	6	587.727	45.424
10. TREASURY LIABILITIES DUE TO SDR ALLOCATION	10	3.524.139	2.950.014
11. FIXED ASSETS (Net)	7	641.033	300.511
12. LOANS UNDER LEGAL FOLLOW-UP (Net)	5	-	-
12.1 Loans Under Legal Follow-Up		3.262.626	2.720.439
12.2 Provision of Loans Under Legal Follow-Up (-)		(3.262.626)	(2.720.439)
13. DEFERRED TAX ASSETS	14	7.524	-
14. OTHER ASSETS	8	1.093.742	1.223.775
14.1 Gold Reserve in Non-International Standards	1	261.997	303.057
14.2 Coins		68.021	89.824
14.3 Income Accruals		29.055	51.473
14.4 Other		734.669	779.421
TOTAL ASSETS		346.799.292	278.301.736

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEETS AS OF 31 DECEMBER 2013 AND 2012

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

	Note (Section II)	Audited 31 December 2013	Audited 31 December 2012
1. CURRENCY IN CIRCULATION	9	74.814.590	60.525.482
2. PAYABLES DUE TO MONETARY POLICY OPERATIONS	3	208.520	26.660.132
2.1 Open Market Operations		-	25.261.632
2.2 Interbank Money Market Operations		208.520	1.398.500
2.3 Liquidity Bills		-	-
3. DEPOSITS	11	228.325.479	159.473.131
3.1 Public Sector		27.488.712	16.509.733
3.1.1 Treasury, General and Annexed Budget Administrations		27.365.175	16.441.934
3.1.2 Other		123.537	67.799
3.2 Banking Sector		188.585.938	128.628.657
3.2.1 Domestic Banks		32.204.713	28.432.904
3.2.2 Foreign Banks		5.734	5.756
3.2.3 Reserve Requirements		156.375.052	100.189.811
3.2.3.1 Cash		123.097.075	76.964.455
3.2.3.2 Gold		33.277.977	23.225.356
3.2.4 Other		439	186
3.3 Other Deposits		12.250.829	14.334.741
3.3.1 Foreign Exchange Deposits By Citizens Abroad		11.320.996	12.542.011
3.3.2 International Institutions		9.939	9.929
3.3.3 Funds		776.293	1.776.815
3.3.4 Other		143.601	5.986
4. FOREIGN CORRESPONDENTS		799	669
5. RESERVE TRANCHE POSITION	10	370.973	310.537
6. SDR ALLOCATION	10	3.524.139	2.950.014
7. TAX LIABILITY	14	939.639	797.708
7.1 Taxes Payable		939.639	797.708
8. PROVISIONS	13	371.226	203.397
9. SHARE CAPITAL AND LEGAL RESERVES	12	9.291.339	7.886.217
9.1 Paid-in Share Capital		25	25
9.2 Adjustment to Paid-in Share Capital		46.209	46.209
9.3 Legal Reserves		9.245.105	7.819.983
10. VALUATION ACCOUNT	15	22.164.507	13.665.427
11. PROFIT FOR THE YEAR		5.028.771	4.346.373
12. OTHER LIABILITIES	16	1.759.310	1.512.649
12.1 Treasury Gold		28.491	32.957
12.2 Letter of Credits		931.013	776.883
12.3 Expense Accruals		3.588	281.284
12.4 Other		796.218	421.525
TOTAL LIABILITIES		346.799.292	278.301.736

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY**STATEMENT OF PROFIT OR LOSS****FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012**

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

	Note	Audited 1 January - 31 December 2013	Audited 1 January - 31 December 2012
	(Section III)		
I - INTEREST INCOME	1	4.389.412	5.484.239
II - INTEREST EXPENSE	2	(587.203)	(1.010.499)
III - NET INTEREST INCOME / (EXPENSE)		3.802.209	4.473.740
IV - NET COMMISSION AND SERVICE INCOME		337.171	251.647
A. Commission and Service Income		353.398	265.322
B. Commission and Service Expenses		(16.227)	(13.675)
V - NON-INTEREST INCOME	3	5.518.790	2.564.886
VI - NON-INTEREST EXPENSES	4	(3.741.132)	(2.200.547)
VII- PROFIT BEFORE TAXATION {III+IV+V-VI}		5.917.038	5.089.726
VIII - TAXATION	Section II Note 14	888.267	743.353
-Tax Provision		889.835	743.353
-Deferred Tax Income/(Expense)		(1.568)	-
IX - NET PROFIT FOR THE YEAR {VII-VIII}		5.028.771	4.346.373

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

OFF-BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2013 AND 2012

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

	Audited 31 December 2013	Audited 31 December 2012
OFF - BALANCE SHEET COMMITMENTS		
A. Securities in Custody	112.092.787	143.532.547
1. Marketable Securities in Custody - Free (*)	97.553.180	129.633.476
2. Deal Securities (*)	270.670	269.975
3. Marketable Security Exchange Market Banks Guarantee Letters Depot	320.919	270.575
4. Government Debt Security Depot of Savings Deposits Insurance Fund, Exempt From Income Tax	12.035.938	9.911.654
5. Other (*)	1.912.080	3.446.867
B. Guarantees Received	20.721.846	21.171.612
1. Government Debt Security Depots of Banks under Foreign Exchange Market Guarantee (*)	2.247.469	5.612.670
2. Bonds as Interbank Money Market Operations Guarantee (*)	7.557.517	5.631.634
3. Government Debt Security Depots Accepted as Guarantee for Open Market Operations	4.762.389	6.206.963
4. Intermediary Institutions' Pledged Government Debt Security Depots	28.725	28.690
5. Other (*)	6.125.746	3.691.655
C. Obsolete and Reserve Banknotes	36.965.150	42.802.777
1. Reserve Banknotes - Head Office	6.325.282	6.996.392
2. Reserve Banknotes - Branches	1.532.167	523.625
3. Reserve Banknotes - Banknotes Depots	28.740.277	34.885.673
4. Obsolete Banknotes - Head Office and Branches	367.424	397.087
D. Other	282.374.991	238.289.384
1. Repurchase Agreements Pledged Account (*)	3.397.112	1.281.159
2. Bank Treasury Bonds Portfolio and Security Depots Received Through Repo Transactions	47.832.545	25.427.527
3. Customer Transactions Portfolio - Takasbank and MKK (*)	230.223.749	210.922.834
4. Branches' Marketable Security Portfolio in Electronic Security Fund Transfer System	54.761	38.452
5. Stock Exchange Market Members' Treasury Bond Depot	50.605	28.772
6. Other (*)	816.219	590.640
E. Unpublished Marketable Securities Depots in Electronic Marketable Security Transfer Recording	389.752.638	379.405.307
TOTAL (A+B+C+D+E)	841.907.412	825.201.627

- (*) 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 2013 AND 2012

(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) (*) (Accumulated Deficit) (*)	Net Profit For the Year	Total Shareholders' Equity
Balance at 1 January 2012 – Restated	25	46.209	5.016.154	-	8.565.200	-	13.627.588
Profit Distribution:							
Dividends	-	-	-	-	-	-	-
- Treasury	-	-	-	-	-	-	-
- Other Shareholders	-	-	-	-	-	-	-
- Employees	-	-	-	-	-	-	-
Transferred to Equity Reserves	-	-	2.803.829	-	-	-	-
Net Profit for the Year	-	-	-	-	-	4.346.373	4.346.373
Balance at 31 December 2012	25	46.209	7.819.983	-	-	4.346.373	12.212.590
Balance at 1 January 2013	25	46.209	7.819.983	-	4.346.373	-	12.212.590
The effect of the changes in accounting policies (See Note. I. A. (3)) (*)	-	-	-	-	-	-	-
Fair Value Increase /(Decrease) in Equity Participations	-	-	-	506.742	-	-	(13.705)
Retirement Pay Actuarial Gains / (Losses)	-	-	-	-	2.490	-	506.742
Profit Distribution:							
Dividends	-	-	-	-	-	-	-
- Treasury	-	-	-	-	-	-	-
- Other Shareholders	-	-	-	-	-	-	-
- Employees	-	-	-	-	-	-	-
Transferred to Equity Reserves	-	-	1.425.122	-	-	-	-
Net Profit for the Year	-	-	-	-	-	5.028.771	5.028.771
Balance at 31 December 2013	25	46.209	9.245.105	506.742	2.490	5.028.771	14.815.637

(*) Presented within other liabilities (See note II.16).

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

PROFIT DISTRIBUTION TABLES FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

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

	Audited 1 January - 31 December 2013 (*)	Audited 1 January - 31 December 2012(**)
A. DISTRIBUTION OF PROFIT FOR THE YEAR		
1. Profit for the year	5.917.038	5.089.726
2. Taxes Payable and Legal Liabilities	(888.267)	(743.353)
- Corporate Tax (Income Tax)	(889.835)	(743.353)
- Income Tax	-	-
- Other Taxes and Legal Liabilities	1.568	-
NET PROFIT FOR THE YEAR	5.028.771	4.346.373
3. Prior Year Losses	-	-
4. Legal Reserves	-	(1.425.122)
5. Other Legal Funds	-	-
DISTRIBUTABLE PROFIT FOR THE YEAR	-	2.921.251
6. Dividends to Shareholders	-	(3)
7. Dividends to Employees	-	(9.954)
DUE TO REPUBLIC OF TURKEY PRIME MINISTRY UNDERSECRETARIAT OF TREASURY ("TURKISH TREASURY") ACCORDING TO THE CENTRAL BANK LAW NO. 1211	-	2.911.294

(*) 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 2013. However, the corporate tax was calculated based on the assumption that employees will be paid 2 months of salary as dividend. The profit appropriation of the Bank for the year 2013 will be decided based on the resolution of the General Assembly to be held on 17 April 2014.

(**) In accordance with the resolution of the General Assembly, dated 9 April 2013, 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 2013 AND 2012**

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

	Note (Section II, III, IV)	Audited 1 January – 31 December 2013	Audited 1 January – 31 December 2012
Cash flows (used in) / from operations			
Net profit/ (loss) for the year		5.028.771	4.346.373
Adjustments:			
Depreciation of fixed assets and amortization expenses		24.406	22.375
Retirement pay provision	II,13	11.822	18.610
Net interest income		(3.802.209)	(4.473.740)
Interest received		4.036.877	5.043.865
Interest paid		(761.830)	(1.293.113)
Dividend income		(6.903)	(6.333)
Net commission income		(337.171)	(251.647)
Commissions received, net		344.044	289.038
Commissions paid		(16.686)	(16.546)
Taxation income/expense		888.267	743.353
Increase/decrease in value of financial assets, net	II,14	1.749.097	123.222
Provision expense for securities transportation		165.700	24.114
Other		533.803	60.340
Cash flows from operating income before changes in operating assets and liabilities		7.857.988	4.629.911
Changes in operating assets and liabilities:			
Changes in gold reserves		(10.048.155)	(15.648.681)
Changes in marketable securities		(7.370.343)	(50.218.469)
Net change in loans and advances given		(4.669.427)	(3.770.449)
Net change in other assets		44.695	264.994
Net change in currency in circulation		14.289.108	5.422.309
Changes in liabilities due to money market operations		(3.451.000)	3.143.759
Net change in deposits		41.421.029	31.662.334
Net change in other liabilities		(2.047.565)	(519.049)
Taxes paid		(658.013)	(1.448.474)
Retirement payments made	II,13	(2.942)	(3.777)
Cash flows from / (used in) operations		35.365.375	(26.485.592)
Cash flows related to investments activities			
Fixed asset purchases		(412.920)	(100.276)
Dividend received	III,3	6.903	6.333
Cash flows used in investments activities		(406.017)	(93.943)
Cash flows related to financing activities			
Dividends paid		(2.921.251)	(5.761.371)
Net cash used in financing activities		(2.921.251)	(5.761.371)
Effect of changes in exchange rates on cash and cash equivalents		107.995	(16.393)
Changes in cash and cash equivalents		32.146.104	(32.357.299)
Cash and cash equivalents at the beginning of the year	IV,2	32.250.376	64.607.675
Cash and cash equivalents at the end of the year	IV,2	64.396.480	32.250.376

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

(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 2013 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 (2012: simple interest 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 2013

(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 İstanbul Stock Exchange ("BİST") 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 BİST.

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 (2013: 1.202 US Dollars/2012: 1.664 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 2013, gold rate used in the valuation is TL/ounce 2.564 (2012: TL/ounce 2.966).

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" and "5.Securities Portfolio" in the balance sheet.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

(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

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 (2012: straight-line 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 2013

(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. Given all loans and advances is 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 2013

(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 1 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 currency 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 branches of the Bank and T.C. Ziraat Bankası A.Ş.

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

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2013

(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	20%
Software	7-33%

g. Provisions

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

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

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

h. Employment Termination Benefits

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

(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.

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2013

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

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

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. The Bank has changed the presentation of the financial statements in the current year and in order to maintain comparability the certain reclassifications were made in previous period financial statement:

- In 2012, the Bank presented TL 303.057 thousand of non-international standards of gold under "Gold Reserves". In the current year, the Bank has reclassified this amount under "Other Assets".
- In 2012, the Bank presented TL 700.397 thousand of effective reserves under "Foreign Currency Reserves". In the current year, the Bank has reclassified this amount under "Foreign Currency Banknotes".
- In 2012, the Bank presented TL 177.111.015 thousand of correspondent accounts in "Correspondent Bank Accounts". In the current year, the Bank has reclassified this amount under "Foreign Correspondents".
- In 2012, the Bank presented TL 310.537 thousand of reserve tranche position under "Foreign Currency Reserves". In the current year, the Bank has reclassified this amount under "Reserve Tranche Position".
- In 2012, the Bank presented TL 89.824 thousand of coins in "Coins". In the current year, the Bank has reclassified this amount under "Other Assets".
- In 2012, the Bank presented TL 19.609 thousand of domestic correspondents under "Domestic Correspondents". In the current year, the Bank has reclassified this amount under "Domestic Correspondents".
- In 2012, the Bank presented TL 6.800.717 thousand of discount loans under "Domestic Loans". In the current year, the Bank has reclassified this amount under "Loans".
- In 2012, the Bank presented TL 21.930 thousand of foreign loans in "Foreign loans". In the current year, the Bank has reclassified this amount under "Loans".
- In 2012, the Bank presented TL 51.473 thousand of income accruals and interest discounts in "Interest and Income Accruals". In the current year, the Bank has reclassified this amount under "Other Assets –Income Accruals".
- In 2012, the Bank presented TL 734.203 thousand of receivables under "Miscellaneous Receivables". In the current year, the Bank has reclassified this amount under "Other Assets – Other".
- In 2012, the Bank presented TL 32.957 thousand of treasury gold under the "Due to Treasury". In the current year, the Bank has reclassified this amount under "Other Liabilities".
- In 2012, the Bank presented TL 310.537 thousand of reserve tranche position under "Due to Treasury". In the current year, the Bank has reclassified this amount under "Reserve Tranche Position".

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**NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2013**

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

k. Comparative Information and Restatement of Prior Year Financial Statements (Continued)

- In 2012, the Bank presented TL 54.355 thousand of taxes payable and TL 996 thousand of other liabilities under "Due to Treasury - Other". In the current year, the Bank has reclassified these amounts under "Tax liabilities" and "Other Liabilities - Other".
- In 2012, the Bank presented TL 669 thousand of foreign currency debt and TL 5 thousand of other debt under "Foreign Correspondents". In the current year, the Bank has reclassified these amounts under "Foreign Correspondents" and "Other Liabilities - Other".
- In 2012, the Bank presented TL 776.883 thousand of letter of credit under "Import Transfer Orders and Deposits". In the current year, the Bank has reclassified this amount under "Letter of Credits".
- In 2012, the Bank presented TL 5.566 thousand of promissory notes payable and transfer under "Notes and Remittances Payable". In the current year, the Bank has reclassified this amount under "Other Liabilities - Other".
- In 2012, the Bank presented TL 743.353 thousand of provisions for taxes under "Provisions". In the current year, the Bank has reclassified this amount under "Tax Liabilities".
- In 2012, the Bank presented TL 281.284 thousand of accrued expenses and accruals under "Interest and Expense Accruals". In the current year, the Bank has reclassified this amount under "Other Liabilities – Expense Accruals".
- In 2012, the Bank presented TL 49.487 thousand of liabilities under "Miscellaneous Liabilities". In the current year, this amount is reclassified under "Other Liabilities - Other".
- In 2012, the Bank presented in the statement of income and loss TL 33.477 thousand of received from the interest paid by foreign currency notes under "Other Interest Income". This amount is classified under "Interest Received From Advances and Loans" in the current year.
- In 2012, the Bank presented in the statement of income and loss TL 254 thousand of rental income and profits of social facilities under "The Commission and the Service Income". This amount is classified under "Non-Interest Income - Other Non-Interest Income" in the current year.

**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)

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

Changes in accounting policies in the current period are described below:

i. Valuation of equity participations:

Until 1 January 2013, the Bank recorded its investment in equity participations with the acquisition cost and valued them with the buying foreign exchange rate at balance sheet date; as of 1 January 2013 after the accounting policy changes, the Bank has begun to present its investment in equity participations BIS and SWIFT with the fair value. Change in fair value is accounted for as valuation difference of equity participation under other liabilities.

Equity Participations

Balance as of 31 December 2012	45.424
Fair value increase / (decrease)	494.426
Balance as of 1 January 2013	539.850

ii. Amortization of fixed assets:

The property and equipment acquired by the Bank after 1 January 2005 have been depreciated by using the useful lives stated in the communiqués numbered 333, 339, 365 and 389 of the Tax law taking into consideration the full depreciation method, depreciation and amortization to subject where; as of 1 January 2013 has started using pro-rata depreciation method. The effect of depreciation method change is accounted for in the retained earnings as of 1 January 2013.

Fixed Assets (Net)

Balance as of 31 December 2012	300.511
Pro-rata depreciation calculation difference	(46.954)
Balance as of 1 January 2013	253.557

iii. Employment termination benefits calculation:

The adjustment effect of discount calculation of employment termination benefits was reflected to current period's income and expense accounts.

Employment termination benefits

Balance as of 31 December 2012	126.040
Calculation difference	(6.750)
Balance as of 1 January 2013	119.290

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NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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

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

iv. Financial instruments interest accrual calculations:

In previous years, the Bank used simple interest method for the calculation of accrued interest, beginning from 1 January 2013 the Bank started to use the effective interest method for the calculation of accrued interest. The effect of this change is reflected in the current year's profit or loss as of 1 January 2013 for the accounts such as; foreign exchange deposits by citizens abroad, loans, securities sold under agreements to repurchase and securities purchased under agreements to sell.

	31 December 2012 Discount amount with simple interest	31 December 2012 Discount amount with effective interest	Adjustment effect
Discount expense on deposits by citizens abroad	271.878	270.169	1.709
Discount income on domestic loans	4.006	4.007	1
Discount expense on securities sold under agreement to repurchase operations	309	310	(1)
Discount income on securities purchased under agreement to resell operations	31.543	31.524	(19)
Total discount adjustment effect			1.690

v. Deferred taxes:

The Bank calculated the deferred tax asset and liabilities considering legal tax rate in order to recognize tax effects of temporary differences between amount of assets and liabilities that is shown in the financial statements and amount that is considered in legal tax base calculation.

Deferred tax assets / (liabilities)	Temporary Differences	Deferred Tax Assets / (Liabilities)
Balance as of 31 December 2012	-	-
Employment termination benefits	119.290	23.858
Fixed assets depreciation differences	46.954	9.391
Fair value differences of equity participations	(494.426)	(24.721)
Balance as of 1 January 2013	(328.182)	8.528

The effect of deferred tax assets / (liabilities) belonging to prior period amounting to TL 33.249 thousand is accounted for in retained earnings as of 1 January 2013. Since the deferred tax calculated for the temporary difference arising from fair valuation of the equity participations is recognized within the account where the fair value increase/(decrease) of equity participations are recognized (in other liabilities), there is no effect on retained earnings.

vi. Effect of the changes in accounting policies on retained earnings:

The total effects of the changes in the accounting policies explained above on the retained earnings are as follows:

Depreciation effect	(46.954)
Deferred tax effect	33.249
Retained earnings	(13.705)

**NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
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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\$") 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 2013	31 December 2012
(1 Euro = TL)	2,9365 TL	2,3517 TL
(1 US\$ = TL)	2,1343 TL	1,7826 TL

b. EUR and US\$ 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\$ Bid Rates as of the Balance Sheet Date:

	31 December 2013	31 December 2012
Euro	2,9365 TL	2,3517 TL
US\$	2,1343 TL	1,7826 TL

Prior to Balance Sheet Date (Euro)	31 December 2013	31 December 2012
Bid rate of the 1st Day	2,9365 TL	2,3517 TL
Bid rate of the 2nd Day	2,9844 TL	2,3657 TL
Bid rate of the 3rd Day	2,8693 TL	2,3566 TL
Bid rate of the 4th Day	2,8353 TL	2,3586 TL
Bid rate of the 5th Day	2,8466 TL	2,3651 TL

Prior to Balance Sheet Date (US Dollar)	31 December 2013	31 December 2012
Bid rate of the 1st Day	2,1343 TL	1,7826 TL
Bid rate of the 2nd Day	2,1604 TL	1,7829 TL
Bid rate of the 3rd Day	2,0957 TL	1,7848 TL
Bid rate of the 4th Day	2,0710 TL	1,7877 TL
Bid rate of the 5th Day	2,0812 TL	1,7893 TL

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NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS

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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\$ and TL equivalents and the foreign currency position are as follows:

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	Thousand TL	Million USD Dollar	Thousand TL	Million USD Dollar
I- Foreign Currency Assets				
1) Gold Reserves	42.850.276	20.077	34.297.820	19.410
2) Foreign Currency Banknotes	3.754.572	1.759	700.397	393
3) Foreign Correspondents	232.627.024	108.995	177.111.015	99.355
4) Reserve Tranche Position	370.973	174	310.537	174
5) Securities Portfolio	-	-	-	-
6) Receivables Due to Monetary Policy Operations	-	-	-	-
7) Domestic Correspondents	-	-	19.609	11
8) Loans	13.329.215	6.245	6.822.647	3.827
9) Equity Participations	587.727	275	45.424	25
10) Treasury Liabilities Due to SDR Allocation	3.524.139	1.651	2.950.014	1.656
11) Fixed Assets (Net)	-	-	-	-
12) Loans Under Legal Follow-Up (Net)	-	-	-	-
13) Deferred Tax Assets	-	-	-	-
14) Other Assets	3.912	2	3.284	2
Total Foreign Currency Assets	297.047.838	139.178	222.260.747	124.853
II- Foreign Currency Liabilities				
1) Currency in Circulation	-	-	-	-
2) Payables Due to Monetary Policy Operations	-	-	-	-
3) Deposits	198.169.099	92.850	136.210.464	76.413
a) Public Sector	13.725.018	6.431	10.156.574	5.698
b) Banking Sector	172.499.830	80.823	111.973.163	62.815
c) Other Deposits	11.944.251	5.596	14.080.727	7.900
4) Foreign Correspondents	799	-	669	-
5) Reserve Tranche Position	370.973	174	310.537	174
6) SDR Allocation	3.524.139	1.651	2.950.014	1.655
7) Tax Liability	-	-	-	-
8) Provisions	-	-	-	-
9) Share Capital and Legal Reserves	-	-	-	-
10) Valuation Account	-	-	-	-
11) Profit for the Year	-	-	-	-
12) Other Liabilities	1.222.835	573	1.427.177	801
Total Foreign Currency Liabilities	203.287.845	95.248	140.898.861	79.043
Net Foreign Currency Position	93.759.993	43.930	81.361.886	45.810

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NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

(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 2013				31 December 2012			
	Cost	Accumulated depreciation	Net book value	Insurance coverage	Cost	Accumulated depreciation	Net book value	Insurance coverage
Furniture								
And Fixture	184.405	103.281	81.124	185.718	144.340	102.974	41.366	113.490
Property	702.394	142.485	559.909	292.796	337.162	78.017	259.145	287.493
	886.799	245.766	641.033	478.514	481.502	180.991	300.511	400.983

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

As of 31 December 2013, there is a number of legal proceedings outstanding against the Bank amounting to TL 2.597 thousand, US\$ 64.596.952 and EUR 222.397 (31 December 2012: TL 4.010 thousand, US\$ 64.741.281 and EUR 496.939). No 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 17 April 2014, 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 2013 amounting to TL 5.915.993 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 2013

(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 offices in Frankfurt, London, New York and Tokyo.

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

The financial statements for the year ended 31 December 2013 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 2013, the Bank owns 116.103.765 (31 December 2012: 116.103.765) net grams, of gold in international standards and 3.177.798 (31 December 2012: 3.177.798) net grams of gold in non-international standards, and 403.633.250 net grams of gold which belongs to the banks those deposited gold in order to meet their reserve requirements (31 December 2012: 243.536.704). 484.546.500 (31 December 2012: 325.422.256) grams of the gold in international standards is kept at the Bank of England and Federal Reserve Bank of New York, 1.519.870 (31 December 2012: 547.568) grams of gold is kept in Istanbul Gold Exchange and the remaining 33.670.645 (31 December 2012: 33.670.646) 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 2012: 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 2013 and 31 December 2012 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.

	31 December 2013	31 December 2012
Gold Reserves		
Gold in International Standards	42.850.276	34.297.820
CBRT's own gold	9.572.299	11.072.464
Care of the BOE	4.430.958	5.125.374
Care of the FED	2.365.329	2.736.022
Domestic gold	2.776.012	3.211.068
Required reserves of the banks	33.277.977	23.225.356
Care of the BOE	33.152.669	23.173.136
Care of Borsa İstanbul	125.308	52.220
Gold in Non-International Standard	261.997	303.057
CBRT	233.506	270.101
Treasury	28.491	32.956

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NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2013

(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 2013		31 December 2012	
	Thousand TL	Million USD Dollar	Thousand TL	Million USD Dollar
Foreign Currency Securities	211.123.803	98.919	168.698.993	94.637
Deposit	17.107.759	8.016	4.869.115	2.732
Other	4.395.462	2.059	3.542.907	1.987
- Demand deposits	1.179.081	552	872.767	490
- SDR holdings account	3.213.476	1.506	2.667.674	1.496
- Other	2.905	1	2.466	1
Total	232.627.024	108.994	177.111.015	99.356

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 2013, foreign currency securities held for reserve purpose amounting to TL 211.123.803 thousand (31 December 2012: TL 168.698.993 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 2013, securities portfolio amounting to TL 8.931.101 thousand consists of government bonds with outright purchase. (As of 31 December 2012: The securities portfolio amounting to TL 6.104.477 thousand consists of government bonds with outright purchase and the securities portfolio consists of securities purchased under agreements to resell amounting to TL 23.000.012 thousand and the income accrual of the securities sold under agreements to repurchase amounting to TL 94.232 thousand.)

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

	31 December 2013			
	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	9.158.267	(227.166)	8.931.101	8.931.101
2. Indexed to Inflation	-	-	-	-
3. Indexed to Foreign Currency	-	-	-	-
4. Foreign Currency	-	-	-	-
5. Floating Rate	-	-	-	-
<u>Other Marketable Securities:</u>				
Accrued income from securities sold under agreements to repurchase	-	-	-	-
TOTAL	9.158.267	(227.166)	8.931.101	8.931.101

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

(a) Information on Securities Portfolio (continued)

Breakdown of securities portfolio as of 31 December 2012 are as follows:

	31 December 2012			
	Acquisition Cost	Accrual (net)	Carrying Amount	Fair Value
<u>Purchases under Agreements to Resell:</u>				
Treasury Bills and Government Bonds				
1. Fixed Income	23.000.012	31.543	23.000.012	23.080.611
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	5.959.041	145.436	6.104.477	6.104.477
2. Indexed to Inflation	-	-	-	-
3. Indexed to Foreign Currency	-	-	-	-
4. Foreign Currency	-	-	-	-
5. Floating Rate	-	-	-	-
<u>Other Marketable Securities:</u>				
Accrued income from securities sold under agreements to repurchase	-	94.232	94.232	94.232
TOTAL	28.959.053	271.211	29.198.721	29.279.320

As of 31 December 2013 the nominal values of TL securities acquired by outright purchases amounts to TL 8.999.000 thousand. (31 December 2012: 5.831.215 thousand TL)

(b) Receivables Due to Monetary Policy Operations

As of 31 December 2013, breakdown of the securities purchased under agreement to resell recognized in off-balance sheet is as follows:

	31 December 2013	
	Nominal	Fair value
<u>Purchases under Agreements to Resell:</u>		
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	-	-
TOTAL	38.833.545	40.712.338

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(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 2013 – Securities purchased under agreements to resell presented under Open Market Operations consists of TL 39.007.450 thousand of capital paid and the accrued interest income. (Receivables Due to Monetary Policy- Open Market Operations at the asset side of the balance sheet as of 31 December 2013 – Securities purchased under agreements to resell presented under Open Market Operations consists of TL 23.060.266 thousand of capital paid and the accrued interest income. Additionally, as of 31 December 2012 Open Market Operations at the asset side of the balance sheet consists of TL 2.261.000 thousand of securities sold under agreements to repurchase.)

In addition, as of 31 December 2013, there is TL 74.516 thousand of Money Market receivable due from the transactions the Bank entered into on its behalf. (31 December 2012: None)

As of 31 December 2013, there are no liabilities on the balance sheet with respect to securities sold under agreements to repurchase. (As of 31 December 2012 Open Market Operations line on the liabilities side of the balance sheet consists of TL 23.000.012 thousand of acquisition cost of securities purchased under agreements to resell and TL 2.261.620 thousand of amount due with respect to securities sold under agreements to repurchase.)

In addition, as of 31 December 2013, TL 208.520 thousand the Bank received from Interbank Money Market (31 December 2012: TL 1.398.500 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 16 thousand; (31 December 2012: TL 194 thousand) was also accounted for in the same account.

As of 31 December 2013, the accrued interest on securities purchased under agreements to resell amounting to TL 10.543 thousand (31 December 2012: TL 60.254 thousand) is presented in the Receivables due to Monetary Policy Operations - Open Market Operations. In addition, as of 31 December 2013, there is no accrued interest expense on securities sold under agreements to repurchase (31 December 2012: TL 619 thousand).

(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 2013, there are no foreign currency interbank money market transactions where the Bank acted as intermediary. (31 December 2012: TL 19.609 thousand)

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5) Loans

(a) Information on domestic loans:

As of 31 December 2013 loans to domestic banks; TL 13.307.134 thousand (31 December 2012: TL 6.800.717 thousand) consists of the discount loans.

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

None. (31 December 2012: 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 2013		31 December 2012	
	Thousand TL	Thousand USD Dollar	Thousand TL	Thousand USD Dollar
Opening balance	2.720.440	1.274.629	2.876.337	1.522.757
- Increases during the Period (+) (*)	5.455	2.556	5.972	3.350
- Transfers from Other Follow-up Accounts (+)	-	-	-	-
- Transfers to Other Follow-up Accounts (-)	-	-	-	-
- Collections during the Period (-)	-	-	-	-
- Write-offs (-)	-	-	-	-
- Foreign Exchange Differences	536.731	251.479	(161.869)	-
Closing balance	3.262.626	1.528.664	2.720.440	1.526.107
- Allowance (-)	3.262.626	1.528.664	2.720.440	1.526.107
Net balance after allowance	-	-	-	-

(*) As of 31 December 2013, TL 5.455 thousand of increase during the period (31 December 2012: TL 5.972 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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II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF BALANCE SHEET COMMITMENTS (Continued)

6) Equity Participations

As of 31 December 2013 and 2012, the Bank's equity participations are as follows:

Title	Share rate (%)	Total Paid-in Share Capital	31 December 2013 Acquisition Cost	31 December 2012 Acquisition Cost	31 December 2013 Ledger Asset	31 December 2012 Ledger Asset
Bank for International Settlements (BIS) (*) (**)	1.43	697 million SDR	(*) 10.000.000 SDR	(*) 10.000.000 SDR	566.317	27.536
International Islamic Liquidity Management Corporation (IILM)	13.33	75 million USD Dolar	10.000.000 USD	10.000.000 USD	21.343	17.826
S.W.I.F.T.	0.007	14 million Euro	18.320 Euro	18.320 Euro	67	62
Total Affiliates					587.727	45.424

(*) 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 8.890 thousand of TL 542.303 thousand valuation increase; which is the foreign currency valuation difference; was accounted for in the "Valuation Account"; and the remaining TL 533.413 thousand (TL 506.742 thousand after deducting deferred tax effect TL 26.671 thousand) was accounted for as "Fair value increase/(decrease) in equity participations" under "Other Liabilities". (See Not II. 16)

Movement of equity participations	2013	2012
Opening balance (1st January)	45.424	48.173
The effect of accounting policy change (Not I. A.(3).i.)	494.426	-
Change in fair value for the year	38.987	-
The effect of foreign currency valuation for the year	8.890	(2.749)
Ending Balance (31 December)	587.727	45.424

In the year ended 31 December 2013, there isn't any purchased or disposed equity participation.

In 2013 the profit share was collected from Bank for International Settlements is TL 6.903 thousand . (2012: TL 6.666 thousand)

(7) Fixed Assets

As of 31 December 2013, the cost of property and related accumulated depreciation amounts to TL 702.394 thousand (31 December 2012: TL 337.162 thousand) and TL 142.485 thousand (31 December 2012: TL 78.017 thousand) respectively, whereas the cost of furniture and fixture and related accumulated depreciation amounts to TL 184.405 thousand (31 December 2012: TL 144.340 thousand) and TL 103.281 thousand (31 December 2012: TL 102.974 thousand) respectively.

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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 2013	31 December 2012
Temporary tax to be deducted from corporate tax	547.778	673.940
Taxes to be deducted from income tax withholding	95.643	54.821
Letter of credit expenses of banknote printing office	12.179	471
Printing plant inventory	38.059	26.511
Construction in progress expenses	4.219	3.811
Other materials and warehouses	4.415	3.656
Collection banknote depot	3.183	2.797
Medallion depot	1.254	1.432
Other	27.939	11.982
Total	734.669	779.421

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

	31 December 2013	31 December 2012
Accrued interest income on securities purchased under agreements to resell	-	31.543
Commissions and expenses to be collected from Treasury	17.150	11.044
EFT commission income accrual	10.796	8.317
Other	1.109	569
Total Interest and Income Accruals	29.055	51.473

(*) 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 2013, the banknotes in circulation amount to TL 74.814.590 thousand (31 December 2012: TL 60.525.482 thousand).

Movement of banknotes in circulation	2013	2012
1 January Balance	60.525.482	55.103.174
Banknotes issued into circulation	41.353.594	30.700.615
Banknotes withdrawn from circulation and destroyed	(27.064.486)	(25.278.307)
31 December Balance	74.814.590	60.525.482

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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 2013, 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 2013, the balance of the account amounts to TL 370.973 thousand (31 December 2012: TL 310.537 thousand).

SDR 112.307.000 (31 December 2012: 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 2013, the balance is TL 3.524.139 thousand (31 December 2012: 2.950.014 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. No interest is paid for required reserves.

Deposits by citizens abroad

As of 31 December 2013, deposits by citizens abroad amounting to TL 11.320.996 thousand December, 2013 (31 December 2012: TL 12.542.011 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.

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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 2013			31 December 2012		
	Foreign Currency Balance (000)	Thousand TL Equivalent	Interest rates (*)	Foreign Currency Balance (000)	Thousand TL Equivalent	Interest rates (*)
Euro	3.684.482	10.819.481	%0,25-%1,00	5.079.336	11.945.074	%0,25-%1,00
USD Dollar	189.208	403.827	0,25%	286.086	509.977	%0,25
CHF	38.661	92.396	0,25%	42.173	81.942	%0,25
Other	1.512	5.292	0,25%	1.750	5.018	%0,25
Total		11.320.996			12.542.011	

(*) Amounts denominated in EUR, US\$, 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\$, CHF and GBP respectively as of 31 December 2013 (31 December 2012: 0,25%, 0,25%, 0,25% and 0,25% for EUR, US\$, 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 2013, TL 9.869 thousand (31 December 2012: TL 9.920 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 2012: TL 9 thousand. In addition, as of 31 December 2013, there is TL 59 thousand of African Development Fund (ADF) amounting to in the Bank's accounts. (31 December 2012: None)

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 2013 and 2012:

	31 December 2013	31 December 2012
Nominal capital	25	25
Inflation adjustment to share capital	46.209	46.209
Total capital	46.234	46.234

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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 2013		31 December 2012	
	Share Amount TL (*)	Share Rate %	Share Amount TL (*)	Share Rate %
Hazine	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
Total nominal capital	25.000	100	25.000	100

(*) Shared amounts are stated as exact TL.

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

In accordance with the decision of the General Assembly dated 9 April 2013, the Bank distributed TL 9.954 thousand to its employees from the net total profit of year 2012 amounting TL 4.346.373 thousand, TL 3 thousand to shareholders as dividend out of the profit and TL 1.425.122 thousand was transferred to reserves. The remaining amounting of TL 2.911.294 thousand was paid to Turkish Treasury as dividend.

(13) Provisions

Retirement Pay Provision

As of 31 December 2013, the Bank calculated retirement pay provision amounting to TL 128.170 thousand (31 December 2012: TL 126.040 thousand) and recorded the full provision under the provision account.

Movement of retirement pay provision is presented below:

	<u>2013</u>	<u>2012</u>
1 January Balance	126.040	111.207
The effect of the change in accounting policies (Not I. A. (3) iii.)	(6.750)	-
Service cost	12.107	18.610
Interest cost	2.827	-
Actuarial loss/(gain)	(3.112)	-
Paid during the current year	(2.942)	(3.777)
31 December Balance	128.170	126.040

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(13) Provisions (continued)

Insurance Provision for Money in Transit

As of 31 December 2013, the Bank, calculated provision for the transfer insurance of banknotes, cash and securities amounting to TL 243.056 thousand (31 December 2012: TL 77.357 thousand) and recorded the provision amount under the provision account.

(14) Tax Liability

Corporate Tax Provision

	<u>31 December</u> <u>2013</u>	<u>31 December</u> <u>2012</u>
Corporate tax	889.835	743.353
Other taxes (*)	49.804	54.355
Tax obligation – net	939.639	797.708

(*)It consists of income tax and bank insurance transactions 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% (2012: %20).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2013 is 20%. (2012: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

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

Tax expense as of 31 December 2013 and 2012 is as follows:

	<u>1 January –</u> <u>31 December</u> <u>2013</u>	<u>1 January –</u> <u>31 December</u> <u>2012</u>
- Corporate tax	889.835	743.353
- Deferred tax income / (loss)	(1.568)	-
Tax expense	888.267	743.353

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

(14) Tax Liability (Continued)

Deferred Tax

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

	Total temporary differences	Deferred Tax Assets (Liabilities)
	31 December 2013	31 December 2013
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)
Net Assets		7.524

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

	2013
1 January Balance	-
The effect of the change in accounting policy (Not I. A. (3) v.)	8.528
Deferred tax associated with the income statement (net)	1.568
Deferred tax associated with other liabilities (*)	(2.572)
31 December Balance	7.524

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

Reconciliation of tax expense is presented below:

	2013	2012
Profit/(loss) before tax	5.917.038	5.089.726
Provision calculated over the corporate tax rate (20 %)	1.183.408	1.017.945
Tax allowance	(336.057)	(287.298)
Undeductible expenses	40.916	12.706
Tax expense/(income)	888.267	743.353

(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.

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

(16) Other Liabilities

As of 31 December 2013, TL 28.491 thousand (31 December 2012: TL 32.957 thousand) of other liabilities is the gold reserve in non-international standard kept on behalf of Treasury.

As of 31 December 2013, the breakdown of other liabilities – other is presented below:

	<u>31 December</u> <u>2013</u>	<u>31 December</u> <u>2012</u>
Fair value increase/(decrease) in equity participations	506.742	-
Account transactions with subsequent dates	236.290	294.497
Bills and money orders to be paid	13.560	5.566
Interests waiting because of its being under the limit	9.379	7.545
Amounts waiting for the application of beneficiaries	5.038	3.438
Payments to heirs as a result of death	3.796	6.484
Debts from bonds waiting for court decisions	3.534	3.197
Retirement pay provision actuarial gain	2.490	-
Seized and prudent money	2.116	1.958
Withholding tax belongs to repo interest written as income via rediscount	1.582	4.731
Money to be liquidated to the following period	495	2.734
Fair value difference of marketable securities	-	60.254
Hold amounts relating to the issues whose cases are ongoing	-	13.049
Prior year's losses arising from changes in accounting policies in current period (Not I. A. (3) vi.)	(13.705)	-
Other	24.901	18.072
Total	796.218	421.525

Other liabilities –Breakdown of accrual expenses are shown below:

	<u>31 December</u> <u>2013</u>	<u>31 December</u> <u>2012</u>
Interest accrual expense of deposits by citizens abroad accounts(*)	-	271.878
Interest accrual expense of bills accepted to rediscount (*)	-	4.006
Interest accrual expense to undersecretariat of Treasury (*)	-	837
Interest accrual expense of IMF periodic payments	612	348
Interest accrual expense in interbank money market transactions of which Bank is a part(*)	-	194
Other	2.976	4.021
Total Accrual Expenses	3.588	281.284

(*) In current period, accruals are recognized on the related accounts.

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(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)

As of 31 December 2013 and 2012, 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 2013				31 December 2012			
	A	B	C	D	E	F	G	H
	TP	FC	FC	Number	TP(Original Money)	FC	FC	Number
	(Original Money)	(TL Equivalent)	(TL Equivalent)			(Original Money)	(TL Equivalent)	
					Total			Total
OFF-BALANCE SHEET LIABILITIES								
A. Securities in Custody	112,061,860	30,901	93,704	26	112,092,787	143,500,801	80,254	26
1. Marketable Securities in Custody – Free	97,525,087	28,091	89,246	2	97,553,180	129,604,490	77,160	-
2. Deal Securities	270,664	-	-	6	270,670	269,967	-	8
3. Marketable Security Exchange Market Banks' Guarantee Letters	320,919	-	-	-	320,919	270,575	-	-
4. Government Debt Security Depot of Savings Deposits Insurance Fund, Exempt from Income Tax	12,035,938	-	-	-	12,035,938	9,911,654	-	-
5. Other	1,909,252	2,810	4,458	18	1,912,080	2,734	3,094	18
B. Guarantees Received	14,581,755	6,139,880	14,120,638	211	20,721,846	17,446,143	6,940,429	211
1. Government Debt Security Deposits of Bank under Foreign Exchange Market Guarantee	2,247,469	-	-	-	2,247,469	5,567,970	93,341	-
2. Bonds as Interbank Money Market Operations Guarantees	7,557,517	-	-	-	7,557,517	5,631,634	-	-
3. Government Debt Security Deposits Accepted as Guarantee for Open Market Operations	4,742,389	20,000	42,686	-	4,762,389	6,206,963	-	-
4. Intermediary Institutions' Pledged Government Debt Security Deposits	28,725	-	-	-	28,725	28,690	-	-
5. Other	5,655	6,119,880	14,077,952	211	6,125,746	10,886	6,847,088	211
C. Obsolete and Reserve Banknotes	36,965,150	-	-	-	36,965,150	42,802,777	-	-
1. Reserve Banknotes – Head Office	6,325,282	-	-	-	6,325,282	6,996,392	-	-
2. Reserve Banknotes – Branches	1,532,167	-	-	-	1,532,167	523,625	-	-
3. Reserve Banknotes – Banknotes Deposits	28,740,277	-	-	-	28,740,277	34,885,673	-	-
4. Obsolete Banknotes – Head Office and Branches	367,424	-	-	-	367,424	397,087	-	-
D. Other	281,568,016	124,761	231,977	682,214	282,374,991	237,704,590	207,487	467,195
1. Repurchase Agreements Pledge Account	3,397,112	-	-	-	3,397,112	1,281,159	-	-
2. Bank Treasury Bonds Portfolio and Security Deposits Received Through Repo Transactions	47,832,545	-	-	-	47,832,545	25,427,527	-	-
3. Customer Transactions Portfolio – Takasbank and MKK	230,223,749	-	-	-	230,223,749	210,922,834	-	-
4. Marketable Security Portfolio in Electronic Security Fund Transfer System	54,761	-	-	-	54,761	38,452	-	-
5. Stock Exchange Market Members' Treasury Bond Depot	50,605	-	-	-	50,605	28,772	-	-
6. Other	9,244	124,761	231,977	682,214	816,219	5,846	207,487	467,195
E. Unpublished Marketable Securities Deposits in Electronic Marketable Security Transfer Recording	389,752,638	-	-	-	389,752,638	379,405,307	-	-
TOTAL (A+B+C+D+E)	834,929,419	6,295,542	14,446,319	682,451	841,907,412	820,859,618	7,228,170	467,432
						3,874,577		825,201,627

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2013

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

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

(1) Interest Income

	<u>1 January –</u> <u>31 December 2013</u>	<u>1 January –</u> <u>31 December 2012</u>
Interests received from TL and FC securities	2.531.419	2.820.599
Interests received from purchases under agreement to resell	1.796.491	2.602.842
Interest received from loans	35.343	39.183
Interest received from banks	15.349	21.601
Interest received from interbank monetary policy operations	10.810	14
Total	4.389.412	5.484.239

(2) Interest Expense

	<u>1 January –</u> <u>31 December 2013</u>	<u>1 January –</u> <u>31 December 2012</u>
Interest paid to Undersecretariat of Treasury accounts	433.697	346.550
Interest paid to deposits by citizens abroad	125.991	190.821
Interest paid to interbank monetary policy operations	16.107	21.714
Interest paid to open market operations	8.857	444.511
Interest paid to IMF general use of resources	2.530	2.818
Interest paid to banks	21	4.085
Total	587.203	1.010.499

(3) Non-Interest Income

	<u>1 January –</u> <u>31 December 2013</u>	<u>1 January –</u> <u>31 December 2012</u>
Foreign exchange gains	5.454.556	2.394.171
Gains on purchase and sale of securities	51.623	-
Income on equity participations	6.903	1.583
Other non-interest income	5.708	169.132
Total	5.518.790	2.564.886

For the year ended 31 December 2013, "Foreign Exchange Gains" consists of realized gains on foreign currency trading transactions in 2013.

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.)

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

(4) Non-interest Expenses

	<u>1 January – 31 December 2013</u>	<u>1 January – 31 December 2012</u>
Losses on purchase and sale of securities and fair value decreases	2.245.960	1.020.560
Wages and salaries	564.945	514.388
Provision for non-performing loans	542.186	5.973
Securities transportation internal insurance reserve	165.700	24.114
General administrative and banknote expenses	130.292	127.085
Social security expenses	45.638	50.018
Depreciation expense	24.406	22.375
Foreign exchange transaction losses	20.234	432.283
Other non-interest expenses	1.771	3.751
Total	3.741.132	2.200.547

For the year ended 31 December 2013, "Foreign Exchange Losses" consists of realized losses on foreign currency trading transactions in 2013.

Provisions for non-performing loans consists of the provisions provided for the accrued interest income on non-performing loans amounting to TL 5.455 thousand (2012: TL 5.973 thousand) and for the foreign exchange difference on non-performing loans amounting to TL 536.731 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 2013</u>	<u>1 January 2012</u>
Foreign Currency Banknotes	700.397	455.132
Coins	89.824	79.451
Foreign Correspondents / Deposit	4.868.897	15.852.264
Foreign Correspondents / Other	3.542.907	6.958.112
Receivables due to Money Market Operations	23.028.742	39.644.657
Domestic Correspondents	19.609	1.618.059
Cash and Cash equivalents	32.250.376	64.607.675

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

	<u>31 December 2013</u>	<u>31 December 2012</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
Cash and Cash equivalents	64.396.480	32.250.376

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

(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 2013)	On Demand	In 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 years	5 years and over	Retained	Total
ASSET								
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	-	-	13,329,215
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
Total Assets	22,678,080	106,372,987	16,682,248	128,928,524	70,761,751	-	1,375,702	346,799,292
LIABILITY								
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	-	-	-	-	-	-	963,092
Total Liabilities	178,092,552	156,998,894	656,850	4,529,758	5,725,020	-	796,218	346,799,292
Net Liquidity Position	(155,414,472)	(50,625,907)	16,025,398	124,398,766	65,036,731	-	579,484	-

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

(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 2012)	On Demand	In 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 years	5 years and over	Retained	Total
ASSET								
Gold Reserves	11.124.684	23.173.136	-	-	-	-	-	34.297.820
Foreign Currency Banknotes	700.397	-	-	-	-	-	-	700.397
Foreign Correspondents	3.542.907	10.862.651	35.045.368	89.870.025	37.790.064	-	-	177.111.015
Reserve Tranche Position	-	-	-	-	-	-	310.537	310.537
Securities Portfolio	-	23.140.724	841.211	2.183.399	3.033.387	-	-	29.198.721
Receivables due to Money Market Operations	-	25.321.266	-	-	-	-	-	25.321.266
Domestic Correspondents	-	19.609	-	-	-	-	-	19.609
Loans	-	1.865.814	3.447.325	1.493.540	7.334	-	8.634	6.822.647
Equity Participations	45.424	-	-	-	-	-	-	45.424
Treasury Liability due to SDR Allocation	-	-	-	-	-	-	2.950.014	2.950.014
Fixed Assets (Net)	-	-	-	-	-	-	300.511	300.511
Loans Under Legal Follow-up	-	-	-	-	-	-	-	-
Deferred Tax Asset	-	-	-	-	-	-	-	-
Other Assets	394.327	40.447	739.805	-	-	-	49.196	1.223.775
Total assets	15.807.739	84.423.647	40.073.709	93.546.964	40.830.785	-	3.618.892	278.301.736
LIABILITY								
Currency in Circulation	-	-	-	-	-	-	60.525.482	60.525.482
Payables due to Money Market Operations	-	26.660.132	-	-	-	-	-	26.660.132
Deposits	18.330.170	129.145.152	789.305	5.325.753	5.882.751	-	-	159.473.131
Foreign Correspondents	669	-	-	-	-	-	-	669
Reserve Tranche Position	-	-	-	-	-	-	310.537	310.537
SDR Allocation	-	-	-	-	-	-	2.950.014	2,950.014
Tax Liability	-	-	-	797.708	-	-	-	797.708
Provisions	-	-	-	-	-	-	203.397	203.397
Share Capital and Legal Reserves	-	-	-	-	-	-	7.866.217	7.866.217
Valuation Account	-	-	-	-	-	-	13.655.427	13.655.427
Profit for the Year	-	-	-	-	-	-	4.346.373	4.346.373
Other Liabilities	39.390	457.816	37.584	893.910	37.825	-	46.124	1.512.649
Total Liabilities	18.370.229	156.263.100	826.889	7.017.410	5.920.576	-	89.903.532	278.301.736
Net Liquidity Position	(2.562.490)	(71.839.453)	39.246.820	86.529.554	34.910.209	-	(86.284.640)	-