

## 3.2. Explanations Related to the Balance Sheet Dated 31.12.2012, and the Profit and Loss Statement for the 01.01.2012-31.12.2012 Period

### 3.2.1 The Central Bank of the Republic of Turkey Accounting Principles and Policies

#### 3.2.1. a. Fundamental Principles for Accounting Practices

Social responsibility, economic entity, continuity, periodicity, monetary unit, historic cost, neutrality and documentation, consistency, full disclosure, prudence, substance over form, and materiality principles, which are the underlying assumptions of accounting, are also the basis of accounting practices of the CBRT.

#### 3.2.1. b. Accounting Policies

##### The Basis for Recognition

The Bank prepares its statutory financial statements in accordance with the Turkish Commercial Code and the Tax Legislation and the Law of the Central Bank of the Republic of Turkey No. 1211 (the Bank's Law). According to Article 57 of the Bank's Law, the accounting period is defined as the calendar year.

Acquisition costs are used in bookkeeping entries. Securities, gold reserves and foreign currency assets and liabilities are recorded at their fair value. Transactions are booked in records on their value date.

Since inflation adjustment conditions were realized as of 31 December 2003 and as of 31 December 2004, non-monetary items on the financial statements of the Bank were restated. As the conditions for inflation adjustment have disappeared, the adjustment was not executed between the years 2005-2012.

##### Gold and Foreign Currency Transactions

Gold reserves are revalued monthly using the average of gold prices quoted at 10.30 and at 15.00 on the London Exchange by taking 1 ounce of gold = 31,1035 grams. Assets and liabilities denominated in foreign currency are valued at the foreign currency purchase rate of the Bank on the balance sheet date. Differences arising from the currency revaluation of assets and liabilities denominated in foreign currency as well as differences arising from price and currency revaluation of gold are recorded as unrealized gains and losses in the "Revaluation Account" as per Article 61 of the Bank's Law.

The gain or loss arising from the purchase and sale of foreign exchange is calculated according to the "average cost" method and reflected in financial statements.

##### Securities

The securities portfolio consists of government securities purchased directly and under repurchase agreements to regulate the money supply and liquidity in the economy in line with the monetary policy targets pursuant to Article 52 of the Bank's Law. Turkish currency denominated securities that are purchased by the Bank on its own account and under repurchase agreements are recognized initially at their acquisition cost. Securities owned by the bank are revalued to their fair values at the end of each month. Fair value is calculated based on the weighted average price in the ISE for the transactions with same value date. In absence of these prices, the prices of related securities published in the Official Gazette by the Bank on a daily basis are used for the fair value calculation.

The accrued interest on the securities purchased under repurchase agreements, calculated as the difference between the acquisition cost and sale price on the settlement date, is reflected in the income statement.

The differences between the acquisition cost and fair value of the securities that are purchased directly and sold under reverse repurchase agreements are reflected in the income statement.

Securities denominated in foreign currency are shown in "Correspondent Accounts" under the "Foreign Exchange" item, at their fair value calculated using the closing prices in the related international markets at the end of each month. Differences between the acquisition cost and fair value are reflected in the income statement. Clean prices are used for coupon bonds.

### Liquidity Bills

The item "Liquidity Bills" consists of issues of the Bank's liquidity bills whose maturity does not exceed 91 days and that are tradable in the secondary markets for the Bank's own account and on its behalf with an aim to efficiently regulate the money supply and liquidity in the economy within the monetary policy targets pursuant to Article 52 of the Bank's Law. The Bank recognizes liquidity bills at the issuing amount and revalues at fair value at the end of each month. Differences between the fair value and the issued amount are reflected in the income statement at the end of each month.

### Income Recognition

All incomes and expenses are recognized on an accrual basis. Accrued incomes and expenses are calculated for interests of undue receivables and payables, with regard to the periodicity principle, at the end of each month.

According to Article 61 of the Bank's Law, the unrealized revaluation gains and losses, arising from the revaluation of gold, foreign exchange and foreign exchange indexed items due to a change in the value of the Turkish currency and the price of gold in international markets are monitored in an account named "Revaluation Account". Realized exchange differences are reflected in the income statement on the date of occurrence.

### Repurchase and Reverse Repurchase Transactions of the Securities

In reverse repurchase transactions; securities are sold with a commitment to buy the security back at a later date at a price specified on the value date based on a contract made on the transaction date. Securities sold under the reverse repurchase agreement are removed from the securities portfolio and are shown in the assets under "VII. Open Market Operations / A. Repurchase Agreements / b) Securities" item. Cash debts on the due date are shown in the liabilities item under "VI. Open Market Operations / A. Repurchase Agreements / a) Cash / ii. Securities". The difference between the cost and sale price is reflected in the income statement on the value date. At the maturity date, the securities subject to reverse repurchase transactions are recorded to the securities portfolio account at the repurchase price.

In repurchase transactions securities are bought with a commitment to sell the security back at a later date at a price specified on the value date based on a contract made on the transaction date. Securities purchased under the repurchase agreement are included in the securities portfolio. Cash receivables resulting from the purchase of the securities are shown in the assets item under "VII. Open Market Operations / A. Repurchase Agreements / a) Cash / ii. Securities" and securities payable are shown in the liabilities item under "VI. Open Market Operations / A. Repurchase Agreements / b) Securities". On the maturity date, the difference between the resale price and purchase price of securities is reflected in the income statement.

Interest income to be received from banks due to repurchase agreements and interest expenses to be paid to banks are recognized on an accrual basis at the interest rate stated in transaction contracts at the end of each month.

### Fixed Assets

Fixed assets (land, property and equipment) are recognized at acquisition cost. While land is shown on the balance sheet at cost, properties and equipments are shown at their net value after deducting their depreciation.

### Provisions

According to Article 59 of the Bank's Law, provisions in amounts deemed appropriate by the Board may be set aside in order to meet contingent risks, which may occur in the following years due to the operations exclusive to the Bank. As of year-end, provisions are set for employee termination benefits, tax and internal insurance funds.

### Employee Termination Benefits

The Bank maintains provisions for retirement pay and employee termination benefits, which it is obliged to pay for its employees in coming years. For the obligations of the current year, provisions are maintained in respect of the services of employees, which are used as the basis for retirement pay and employee termination benefits.

Retirement pay and employee termination benefits are paid on the retirement of employees or in the case of layoffs. The amount payable is calculated according to the title and tenure of the personnel in accordance with related laws.

**Taxation**

The Bank, established as a "joint stock company", as per Article 1 of the Bank's Law, is a corporate taxpayer. Moreover, the Bank is responsible for withholding tax, as per Article 94 of the Individual Income Tax Law, on wages, outsourcing payments, interest on deposits, etc. and as per Article 30 of the Corporate Income Tax Law, on the payments made to firms subject to limited tax liability except for commercial, agricultural and other earnings, and on payments made for the transfer or sale of intangible rights.

The Bank is a taxpayer of the Banking and Insurance Transactions Tax but not of the Value Added Tax. Although the Bank is not responsible for Value Added Tax, as per Article 3065 of the Value Added Tax Law, it is obliged to withhold Value Added Tax on payments for purchases of imported commodities and services. The Bank is also a Stamp Tax payer for documents except for those mentioned as exemptions in Article 64 of the Bank's Law.

Revaluation gains from assets and liabilities that are subject to Article 61 of the Bank's Law are not considered as a profit item for the year in which the revaluation is applied and also not taken as an income item in the computation of the corporate tax base. Revaluation losses from assets and liabilities that are subject to Article 61 of the Bank's Law are not considered as an expense for the year in which the revaluation is applied and also not taken as a loss item in the computation of the corporate tax base. Article 280 of Tax Procedure Law No. 213 is not executed in the case of revaluation made according to Article 61 of the Bank's Law.

**Participations**

As per Article 3 of the Bank's Law, the Bank has participation shares in the Bank for International Settlements (BIS), the Society for Worldwide Interbank Financial Telecommunication (SWIFT) and the International Islamic Liquidity Management Corporation (IILM). The values of these participations are converted into Turkish Lira using year-end buying exchange rates. As dividends and changes in values of shares are reflected directly in the profit and loss statement, unrealized gains and losses due to changes in exchange rates are recognized in the balance sheet as per Article 61 of the Bank's Law.

## 3.2.2. Detailed Balance Sheet Dated 31.12.2012

ASSETS	AMOUNT IN TURKISH CURRENCY ACCOUNTS TL	AMOUNT IN FOREIGN CURRENCY ACCOUNTS TL	TOTAL IN TURKISH CURRENCY ACCOUNTS TL	TOTAL IN FOREIGN CURRENCY ACCOUNTS TL	TOTAL TL
<b>I. Gold</b>					
<b>A. International Standard (Net Gram)....</b> 359,640,468.73				34,297,820,041	
<b>B. Non-International Standard (Net Gram)</b> 3,177,797.62			303,056,915		<b>34,600,876,956</b>
<b>II. Foreign Exchange</b>					
<b>A. Convertible</b>					
a) Foreign Banknotes		700,396,358			
b) Correspondent Accounts		177,111,014,661			
c) Reserve Tranche Position		310,537,240		178,121,948,259	
<b>B. Non-Convertible</b>					
a) Foreign Banknotes		-			
b) Correspondent Accounts		-			<b>178,121,948,259</b>
<b>III. Coins</b>			89,823,837		<b>89,823,837</b>
<b>IV. Domestic Correspondents</b>				19,608,600	<b>19,608,600</b>
<b>V. Securities Portfolio</b>					
<b>A. Government Securities</b>					
a) Bonds	27738,158,645				
b) Treasury Bills	1,460,562,005		29,198,720,650		
<b>B. Other</b>					<b>29,198,720,650</b>
<b>VI. Domestic Credit</b>					
<b>A. Banking Sector</b>					
a) Rediscount		6,800,716,530			
b) As per Art 40/c of Law No.1211					
c) Other				6,800,716,530	
<b>B. Credit of SDIF</b>					<b>6,800,716,530</b>
<b>VII. Open Market Operations</b>					
<b>A. Repurchase Agreements</b>					
a) Cash					
i. Foreign Exchange					
ii. Securities	23,060,266,441				
b) Securities	2,261,000,000		25,321,266,441		
<b>B. Other</b>					<b>25,321,266,441</b>
<b>VIII. Foreign Credits</b>				21,930,226	<b>21,930,226</b>
<b>IX. Share Participations</b>				45,423,897	<b>45,423,897</b>
<b>X. Fixed Assets</b>					
<b>A. Buildings and Building Sites</b>	337,161,552				
Depreciation Allowance for Real Estate (-)	(78,016,404)		259,145,148		
<b>B. Furniture and Fixtures</b>	144,340,284				
Depreciation Allowance for Furniture and Fixtures (-)	(102,974,446)		41,365,838		<b>300,510,986</b>
<b>XI. Claims under Legal Proceedings (Net)</b>					
<b>A. Claims under Legal Proceedings</b>				2,720,438,971	
<b>B. Provision for Past-Due Receivables (-)</b>			(2,720,438,971)		-
<b>XII. Treasury Liabilities Due to SDR Allocation</b>				2,950,013,542	<b>2,950,013,542</b>
<b>XIII. Revaluation Account</b>					-
<b>XIV- Accrued Interest and Income</b>			51,472,691		<b>51,472,691</b>
<b>XV- Miscellaneous Receivables</b>			731,489,475	2,713,688	<b>734,203,163</b>
<b>XVI- Other Assets</b>			45,200,035	17,255	<b>45,217,291</b>
<b>TOTAL</b>			<b>53,321,102,060</b>	<b>224,980,631,009</b>	<b>278,301,733,069</b>
<b>REGULATING ACCOUNTS</b>					<b>825,201,624,917</b>

Buildings Insured for TL 287,493,384  
Furnitures and Fixtures Insured for TL 113,490,388

Prevailing rediscount and advance rates:  
Against bills to mature in maximum 3 months:  
-Rediscount rate..... 13.50%  
-Advance rate..... 13.75%

	AMOUNT	AMOUNT	TOTAL IN	TOTAL IN	TOTAL
	IN TURKISH	IN FOREIGN	TURKISH	FOREIGN	
	CURRENCY	CURRENCY	CURRENCY	CURRENCY	
	ACCOUNTS	ACCOUNTS	ACCOUNTS	ACCOUNTS	
	TL	TL	TL	TL	TL
<b>LIABILITIES</b>					
<b>I. Currency Issued</b>			60,525,482,148		<b>60,525,482,148</b>
<b>II. Liabilities to Treasury</b>					
<b>A. Gold (Net Gram) .....</b>	<b>345,574.68</b>		32,956,408		
<b>B. Reserve Tranche Means</b>				310,537,240	
<b>C. Other (Net)</b>			55,317,960	33,285	<b>398,844,893</b>
<b>III. Foreign Correspondents</b>					
<b>A. Convertible</b>				669,362	
<b>B. Non-Convertible</b>				4,309	<b>673,671</b>
<b>IV. Deposits</b>					
<b>A. Public Sector</b>					
a) Treasury, General and Special Budget Administrations	6,224,736,403	10,132,634,395			
b) Public Economic Institutions	9,654	-			
c) State Economic Enterprises	929,285	23,940,018			
d) Other	42,919,675	-	6,268,595,017	10,156,574,413	
<b>B. Banking Sector</b>					
a) Free Deposits of Domestic Banks	16,649,551,470	11,783,352,324			
b) Foreign Banks	5,755,891	-			
c) Required Reserves (Central Bank Law art. 40)					
i. Cash	-	76,964,454,680			
ii. Gold (Net Grams) ...	243,536,704.06	23,225,356,363			
d) Other	186,278	-	16,655,493,639	111,973,163,367	
<b>C. Miscellaneous</b>					
a) Foreign Exchange Deposits by Citizens Abroad		12,542,010,517			
b) Other	4,929,004	65,583,371	4,929,004	12,607,593,888	
<b>D. International Institutions</b>			9,928,575		
<b>E. Extrabudgetary Funds</b>					
a) Savings Deposit Insurance Fund	6,603	9,485			
b) Other	333,642,769	1,463,194,487	333,649,372	1,463,203,972	<b>159,473,131,247</b>
<b>V. Liquidity Bills</b>					
<b>VI. Open Market Operations</b>					
<b>A. Repurchase Agreements</b>					
a) Cash					
i. Foreign Exchange		-			
ii. Securities	2,261,619,452				
b) Securities	23,000,012,000		25,261,631,452	-	
<b>B. Other</b>			1,398,500,000		<b>26,660,131,452</b>
<b>VII. Foreign Credit</b>					
<b>A. Short-Term</b>				-	
<b>B. Medium and Long-Term</b>				-	
<b>VIII. Advances, Collateral and Deposit Collected Against Letters of Credit and Imports</b>					
<b>A. For Letters of Credit</b>				776,882,944	
<b>B. For Imports</b>				-	<b>776,882,944</b>
<b>IX. Notes and Remittances Payable</b>				5,565,999	<b>5,565,999</b>
<b>X. SDR Allocation</b>				2,950,013,542	<b>2,950,013,542</b>
<b>XI. Capital</b>					
<b>A. Paid-in Capital</b>			25,000		
<b>B. Inflation Adjustment for Paid-in Capital</b>			46,208,524		<b>46,233,524</b>
<b>XII. Reserves</b>					
<b>A. Ordinary and Extraordinary Reserves</b>			7,459,337,024		
<b>B. Special Reserves (CBRT Law Art. 59)</b>			7,272,699		
<b>C. Inflation Adjustment for Reserves</b>			353,372,477		<b>7,819,982,200</b>
<b>XIII. Provisions</b>					
<b>A. Provisions for Pension Commitments</b>			126,040,166		
<b>B. Provisions for Taxes</b>			743,352,862		
<b>C. Other Provisions</b>			77,356,337		<b>946,749,365</b>
<b>XIV. Revaluation Account</b>			13,655,426,528		<b>13,655,426,528</b>
<b>XV. Accrued Interest and Expenses</b>			281,283,840		<b>281,283,840</b>
<b>XVI. Miscellaneous Payables</b>			8,906,445	40,580,756	<b>49,487,201</b>
<b>XVII. Other Liabilities</b>			70,961,798	294,509,304	<b>365,471,102</b>
<b>XVIII. Profit of the Period</b>			4,346,373,413		<b>4,346,373,413</b>
<b>TOTAL</b>			<b>137,722,400,688</b>	<b>140,579,332,381</b>	<b>278,301,733,069</b>
<b>REGULATING ACCOUNTS</b>					<b>825,201,624,917</b>

### 3.2.3. Notes to the Balance sheet dated 31.12.2012

#### ASSETS:

##### 1. Gold

Gold holdings are composed of international standards and non-international standards of gold, the year-end balance of which is TL 34,600,876,956 in total, equivalent to 362,818,266.35 net grams. Gold holdings on the balance sheet are valued using 1 net gram of gold = TL 95.36696513 calculated as 1 ounce of gold = USD 1,664 based on prices quoted on the London stock exchange as of 31 December 2012.

	Net Grams	(TL)
International Standard	359,640,468.73	34,297,820,041
Non-International Standard	3,177,797.62	303,056,915
<b>Total</b>	<b>362,818,266.35</b>	<b>34,600,876,956</b>

The value of gold holdings of international standards, which was TL 11,101,679,152 equivalent to 116,103,764.67 net grams as of the end of the year 2011, shows a decrease of TL 660,273,134 due to the depreciation of the USD against the Turkish Lira during the year and an increase of TL 631,057,659 due to the increase in the price of 1 ounce of gold from USD 1,574.50 in 2011 to USD 1,664 in 2012. This amounts to TL 11,072,463,678 equivalent to 116,103,764.67 net grams as of the end of the year 2012.

The required reserves provided in terms of gold were TL 23,225,356,363 equivalent to 243,536,704.06 net grams as of the end of the year 2012. Also at the end of the year 2012, total gold holdings of international standards were TL 34,297,820,041 equivalent to 359,640,468.73 net grams.

The net grams of gold holdings of international standards held with foreign correspondents was 82,433,119.61, whereas 33,670,645.06 net grams of gold holdings of international standards was stored in the vaults of the Head Office. Along with foreign correspondents, starting from this year, required reserves provided in terms of gold will also be held with the Istanbul Gold Exchange.

Gold holdings of non-international standards, which were equal to TL 303,856,552 and 3,177,797.62 net grams as of the end of the year 2011, decreased to TL 303,056,915 at the end of 2012. Although gold holdings of non-international standards increased by TL 17,272,252 due to the increase in the price of 1 ounce of gold, the holdings decreased by TL 18,071,889 due to the depreciation of the USD against the TL.

##### 2. Foreign Exchange

This item consists of the current and time deposit accounts opened by the Bank with foreign correspondents against convertible and non-convertible foreign exchange, securities denominated in foreign currency, held for the purpose of reserve management, and the Reserve Tranche Position, held with the IMF, as well as foreign banknotes available in the Bank's vaults. The balance of this account, evaluated at year-end buying rates, amounts to TL 178,121,948,259 all of which are convertible currencies.

###### a- Convertible

This item includes the convertible foreign exchange accounts with the Foreign Correspondents, amounting to TL 177,111,014,661, the Reserve Tranche Position, amounting to TL 310,537,240, and the foreign banknotes in the vaults of the Bank's branches, amounting to TL 700,396,358, as of the end of the year.

###### b- Non-Convertible

Both the Foreign Correspondent Accounts that were opened in accordance with bilateral agreements and the non-convertible foreign banknotes available in the vaults of the Bank's branches have no balances as of the year-end.

##### 3. Coins

This item consists of the coins available in the Bank's vaults, amounting to TL 89,823,837 at the end of the year.

#### 4. Domestic Correspondents

This item consists of both the Correspondent Accounts that were opened in accordance with the domestic correspondence agreement and the foreign exchange deposit operations held in the Foreign Exchange Market. The item had a balance of TL 1,617,672,000 at the end of 2011, because of the Bank's resumption of its activities as an intermediary in the Foreign Exchange and Banknotes Markets Foreign Exchange Deposit Market as of 10 November 2011. As a result, the item had a balance of TL 19,608,600 at the end of 2012.

TOTAL	FOREIGN EXCHANGE	TL
Deposits Intermediated by CBRT	USD 11,000,000	19,608,600
<b>TOTAL</b>		<b>19,608,600</b>

#### 5. Securities Portfolio

Government Debt Securities, which equaled to TL 47,379,033,839 as of the end of 2011, included outright purchases from the secondary market as well as securities purchased in the secondary market under repurchase agreements. While the securities item increased by TL 4,446,932,893 due to outright purchases from secondary market, by TL 183,029,768 due to the increase in the cost of securities from repurchases under reverse repurchase agreements and by TL 153,856,764 due to the fair value adjustment, it decreased by TL 16,652,489,996 due to the reselling of securities under repurchase agreements, by TL 4,140,642,618 due to principal redemptions, and by TL 2,261,000,000 due to the selling of securities under reverse repurchase agreements. The year-end balance of this item is TL 29,198,720,650.

Due to repurchase operations between the Bank and other banks, increases and decreases in this item must be evaluated along with the securities in the "VII- Open Market Operations / A. Repurchase Agreements / b) Securities" item on the assets side and "VI- Open Market Operations / A. Repurchase Agreements / b) Securities" item on the liabilities side of the balance sheet.

#### 6. Domestic Credit

This item includes credit extended to the Banking Sector and the Savings Deposit Insurance Fund.

The year-end balance of rediscount credits extended against FX securities is TL 6,800,716,530 - equivalent to USD 3,146,435,274, EUR 506,686,842 and GBP 106,438.

Since the total advance extended to the Savings Deposit Insurance Fund, collateralized by Treasury-issued securities in 2004 was redeemed early on 9 May 2005, this item had no balance as of the end of 2012.

	TL
<b>A) Banking Sector</b>	<b>6,800,716,530</b>
a) Rediscount Credit	6,800,716,530
b) As per Art, 40/c of Law No 1211	-
c) Other	-
<b>B) Credit to Savings Deposit Insurance Fund</b>	<b>-</b>
<b>TOTAL</b>	<b>6,800,716,530</b>

#### 7. Open Market Operations

This item, which represents the cash claims of the Bank from repurchase agreements and money market operations and the security claims of the Bank from reverse repurchase agreements, had a balance of TL 25,321,266,441 at the end of the year. TL 23,060,266,441 of this balance represents cash claims of the Bank from repurchase agreements and TL 2,261,000,000 represents security claims of the Bank from reverse repurchase agreements.

#### 8. Foreign Credit

This item consists of credit extended in accordance with the Banking Agreement between the Bank and the Central Bank of Sudan and credit extended in accordance with the Banking Agreement between the Bank and the Central Bank of Albania concerning claims on non-performing loans due to the Banking Regulation terminated on 31 December 1990. The balance of this item decreased to TL 21,930,226 equivalent to USD 12,302,382 in 2012, from TL 29,535,242 equivalent to USD 15,636,213 in 2011, as principal installments of

USD 2,821,113 and USD 512,718 were received from the Central Bank of Sudan and Central Bank of Albania respectively.

#### 9. Share Participations

The balance of this item was TL 45,423,897 at the end of the year. In accordance with Article 3 of the Bank's Law, this item consists of the Bank's participations of SDR 10,000,000 equivalent to 8,000 shares in the Bank for International Settlements in Basel, EUR 26,320 equivalent to 8 shares held with the Society for Worldwide Interbank Financial Telecommunication (SWIFT) and USD 10,000,000 equivalent to 10 shares held with the International Islamic Liquidity Management Corporation (IILM). These participations are revalued using the year-end buying exchange rates.

#### 10. Fixed Assets

This item, which had a balance of TL 300,510,986 as of the year's end, consists of the net values of buildings, furniture and fixtures owned by the Bank, less their allowance for depreciation and the cost of lands.

The value of real estate, which was TL 320,143,861 in the previous year, increased to TL 337,161,552 due to the purchase of real estate with a value of TL 17,017,691 this year. The net value of real estate is TL 259,145,148 after deducting the accumulated depreciation of buildings totaling TL 78,016,404.

The net value of furniture and fixtures is TL 41,365,838, after deducting the accumulated depreciation totaling TL 102,974,446 from the value of furniture and fixtures, totaling TL 144,340,284. The value of furniture and fixtures increased by TL 18,767,535 compared to the previous year.

#### 11. Claims under Legal Proceedings

This account shows the claims on the Central Bank of Iraq, which was TL 2,555,415,711 (equivalent to USD 1,433,532,880) as well as the claims arising from credit amounting to TL 165,023,260 (equivalent to USD 92,574,475), which was extended against bills bought by the Bank from the Enka Construction and Industry Joint Stock Company regarding the Iraq Bekhme Dam project. As the provision of TL 2,720,438,971 was set for these claims as an offsetting item, this account had no balance as of the end of the year.

#### 12. Treasury Liabilities Due to SDR Allocation

This item consists of the allocation of SDR 1,071,329,729 equivalent to TL 2,950,013,542, which was allocated to Turkey by the IMF and used by the Treasury. It is recorded reciprocally with the "X-SDR Allocation" on the liability side.

#### 13. Revaluation Account

This item consists of unrealized losses arising from the valuation of foreign exchange and banknotes, other assets and obligations in terms of foreign currency, and gold in the assets and liabilities of the Bank due to changes in the value of the Turkish currency against foreign currencies and changes in the price of gold in international markets. This account has had no balance since 2008.

#### 14. Accrued Interest and Income

The accrued interest and income as of the end of the year 2012 was TL 51,472,691, which mostly consisted of accrued interest income due to Repurchase Agreements and accrued commission charges received from the Treasury.

#### 15. Miscellaneous Receivables

This item, which showed a balance amounting to TL 734,203,163 at the end of the year, consisted of TL 731,489,475 in Turkish currency and TL 2,713,688 in foreign currencies. The breakdown is as follows:

	TL
- Provisional Tax to be Deducted from the Corporate Tax Payable	673,939,500
- BITT Receivable from Treasury and General Budget Administrations	549,835
- Income Tax to be Deducted from the Corporate Tax Payable	54,820,497
- Foreign Exchange Differences Receivable from General and Special Budget Administrations	1,222,909
- Letters of Credit of the Banknote Printing Plant	471,280
- Advances and Deposits	482,416
- Other	3,038
<b>Total</b>	<b>731,489,475</b>

## 16. Other Assets

This item shows various claims of the Bank, amounting to TL 45,217,291 at the year-end, and consisted of TL 45,200,035 in Turkish currency and TL 17,255 in foreign currencies.

### LIABILITIES:

#### 1. Currency Issued

The year-end balance of currency in circulation, issued in accordance with Article 36 of the Bank's Law, amounted to TL 60,525,482,148 showing an increase of TL 5,422,308,502 compared to the previous year, the balance of which amounted to TL 55,103,173,646.

#### 2. Liabilities to the Treasury

The year-end balance of liabilities to the Treasury amounted to TL 398,844,893, a decrease of TL 6,276,828 compared to the previous year.

##### a- Gold

The value of the gold claims of the Treasury, which amounts to TL 32,956,408 and 345,574.68 net grams, decreased by TL 86,958 over the previous year, due to the depreciation of the USD against the TL despite the increase in the price of 1 ounce of gold.

##### b- Reserve Tranche Means

Due to the portion of Turkey's IMF quota of SDR 1,455.8 million, which was paid as gold and foreign exchange, the Treasury has a Reserve Tranche Means of SDR 112,775,000 presented reciprocally with the "Reserve Tranche Position" in the assets. The year-end balance of this item was TL 310,537,240.

##### c- Other

This item, which shows the net liabilities to the Treasury resulting from various transactions, amounted to TL 55,351,245 at the end of 2012.

#### 3. Foreign Correspondents

This account shows the Bank's debt in convertible and non-convertible foreign exchange to correspondents abroad and had a balance of TL 673,671 in convertible and non-convertible foreign exchange.

##### a- Convertible

Convertible foreign exchange liabilities consist of foreign correspondent accounts and accounts of foreign central banks with the Bank. The year-end balance of this item was TL 669,362, which indicates a decrease of TL 714,546 compared to the previous year.

##### b- Non-Convertible

Consisting of the accounts opened in accordance with bilateral agreements, this item had a balance of TL 4,309 (equivalent to agreement USD 2,417) at the year's end.

#### 4. Deposits

The year-end balance of this account was TL 159,473,131,247. The breakdown is as follows:

	Turkish Currency (TL)	Foreign Currency (TL)
A) Public Sector	<u>6,268,595,017</u>	<u>10,156,574,413</u>
a) Treasury, General and Special Budget Administrations	6,224,736,403	10,132,634,395
i) Treasury	6,128,185,272	9,586,367,088
ii) General Budget Administrations	95,281,951	546,267,307
iii) Special Budget Administrations	1,269,180	-
b) Public Economic Institutions	9,654	-
c) State Economic Enterprises	929,285	23,940,018
d) Other	42,919,675	-
B) Banking Sector	<u>16,655,493,639</u>	<u>111,973,163,367</u>
a) Free Deposits of Domestic Banks	16,649,551,470	11,783,352,324
b) Foreign Banks	5,755,891	-
c) Required Reserves (Article 40 of the Central Bank Law)	-	100,189,811,043
i) Cash	-	76,964,454,679
ii) Gold (Net grams)	-	23,225,356,364
d) Other	186,278	-
C) Miscellaneous	<u>4,929,004</u>	<u>12,607,593,888</u>
a) Foreign Exchange Deposits by Citizens Abroad	-	12,542,010,517
b) Other	4,929,004	65,583,371
D) International Institutions	9,928,575	-
E) Extra-budgetary Funds	<u>333,649,372</u>	<u>1,463,203,972</u>
a) Savings Deposit Insurance Fund	6,603	9,485
b) Other	333,642,769	1,463,194,487
<b>Total</b>	<b>23,272,595,607</b>	<b>136,200,535,640</b>

#### 5. Liquidity Bills

Liquidity bills, issued for the first time in 2007 in accordance with Article 52 of the Bank's Law, had no balance as of the year-end.

#### 6. Open Market Operations

This item, which shows the cash debts of the Bank from reverse repurchase agreements and money market operations, as well as the security debts of the Bank from repurchase agreements, had a balance of TL 26,660,131,452 at the end of the year. TL 23,000,012,000 of this balance represents the security debts of the Bank from repurchase agreements. TL 2,261,619,452 of this balance represents cash debts of the Bank from reverse repurchase agreements and TL 1,398,500,000 of this balance represents the cash debts of the Bank from interbank money market operations.

#### 7. Foreign Credit

This item showing the non-guaranteed trade arrears, which was transferred to the Treasury, had no balance as of the end of 2012.

#### 8. Advances, Collateral and Deposits Collected against Letters of Credit and Import

The balance of this item was TL 776,882,944 at the end of 2012. This balance represents letters of credit of foreign exchange sales.

#### 9. Notes and Remittances Payable

The year-end balance of this item, amounting to TL 5,565,999 consisted of payment orders to be made to beneficiaries.

#### 10. SDR Allocation

This item, presented reciprocally with the "Treasury's Liabilities due to SDR Allocation" in the assets side, shows the liability to the IMF amounting to TL 2,950,013,542, equivalent to SDR 1,071,329,729, allocated to Turkey by the IMF and used by the Treasury.

## 11. Capital

Capital is composed of paid-in capital of TL 25,000 which consists of 250,000 shares, each with a nominal value of TL 0.10, pursuant to Article 5 of the Bank's Law and inflation adjustment differences of paid-in capital of TL 46,208,524 as per the decrees of Law No. 5024.

The composition of shares according to their classes is presented below:

Category	Number of Shares	Percent of Total	TL
A	137,800	55.12	13,780
B	64,340	25.74	6,434
C	54	0.02	5
D (*)	47,806	19.12	4,781
<b>Paid-in capital</b>	<b>250,000</b>	<b>100.00</b>	<b>25,000</b>
Inflation adjustment for paid-in capital			46,208,524
<b>TOTAL</b>			<b>46,233,524</b>

(\*) 7 shares, belonging to the Treasury, are in category D.

The entire category A shares belong to the Treasury. The share of the Treasury in total capital, including the Treasury's shares in Category D, amount to 55.12%. The Category B shares are completely assigned to the national banks operating in Turkey.

Category B	Number of Shares	Percent of Total	(TL)
T.C. Ziraat Bankası A.Ş.	48,057	19.23	4,806
T. Garanti Bankası A.Ş.	6,208	2.48	621
T. İş Bankası A.Ş.	5,818	2.33	582
T. Halk Bankası A.Ş.	2,774	1.11	277
Yapı ve Kredi Bankası A.Ş.	1,386	0.55	138
Akbank T.A.Ş.	75	0.03	8
Türk Ekonomi Bankası A.Ş.	22	0.01	2
<b>TOTAL</b>	<b>64,340</b>	<b>25.74</b>	<b>6,434</b>

Banks, other than national banks, and privileged companies can hold Category C shares, which are limited to 15,000 shares. There are 54 shares for Category C, all of which belong to ING Bank and these shares composed 0.02 percent of the total shares as of the year-end.

## 12. Reserves

This item includes both reserve funds retained in accordance with Articles 59 and 60 of the Bank's Law, and Article 469 of former Turkish Commercial Code, and inflation adjustment differences as per Law No. 5024, which came into effect after being published in Official Gazette No. 25332 on 30 December 2003. The year-end balance of this item was TL 7,819,982,200.

	TL
A. Ordinary and Extraordinary Reserves	7,459,337,024
B. Special Reserves (Article 59 of Law No. 1211)	7,272,699
C. Inflation Adjustment Difference for Reserves	353,372,477
<b>TOTAL</b>	<b>7,819,982,200</b>

The balance of Ordinary Reserves, which amounted to TL 2,378,921,616 in 2011, increased by TL 2,002,734,760 amounting to TL 4,381,656,376 at the end of 2012 due to the allocation of the 20 percent of the net profit of 2011, which was TL 10,013,673,800, to ordinary reserves.

Extraordinary reserves, which had a balance of TL 2,276,586,894 at the end of 2011, amounted to TL 3,077,680,649 at the end of 2012 due to the allocation of TL 801,093,754, which was 10 percent of the remaining amount of the net profit of 2011 after deductions specified in Article 60 of the Bank's Law.

**13. Provisions**

This item, with a balance of TL 946,749,365 at year-end, consists of provisions retained from the Bank's gross profit to meet various risks, for transport insurance of valuables, for pension commitments and for tax, pursuant to Article 59 of the Bank's Law.

	TL
A. Provisions for Pension Commitments	126,040,166
B. Tax Provisions	743,352,862
C. Other Provisions	77,356,337
<b>TOTAL</b>	<b>946,749,365</b>

**14. Revaluation Account**

This item consists of unrealized gains arising from the valuation of foreign exchange and banknotes, other assets and obligations in terms of foreign currency, and gold in the assets and liabilities of the Bank due to changes in the value of Turkish currency against foreign currencies and changes in the price of gold in international markets. The balance of this item was TL 13,655,426,528 at year-end.

**15. Interest and Expense Accruals**

The year-end balance of this item, which was TL 281,283,840, mainly comprises interest accruals due to Foreign Exchange Deposits by Citizens Abroad.

**16. Miscellaneous Payables**

This account amounted to TL 49,487,201 at the end of the year consisting the Bank's debts of TL 8,906,445 in Turkish currency and TL 40,580,756 in foreign currencies.

**17. Other Liabilities**

This item, amounting to TL 365,471,102 at the end of the year, consisted of the Bank's debts of TL 70,961,798 in Turkish currency and TL 294,509,304 in foreign currencies.

## 3.2.4. Detailed Profit and Loss Account for 01.01.2012- 31.12.2012 Period

<b>PROFIT AND LOSS ACCOUNT OF THE CBRT 01.01.2012-31.12.2012</b>	<b>(TL)</b>
<b>I- NET PROFIT / (LOSS) FROM TL TRANSACTIONS</b>	<b>2,897,340,037</b>
1- Net Profit / (Loss) from TL Securities Portfolio	850,620,419
2- Net Profit / (Loss) from Open Market Operations, Liquidity Bills and Money Market Operations	2,673,701,871
a- Net Profit / (Loss) from Open Market Operations	2,695,401,572
b- Net Profit / (Loss) from Money Market Operations	(21,699,701)
3- Interest Paid to TL Required Reserves	-
4- Other	(626,982,253)
a- Provision Expense for Past-Due Receivables	155,897,753
b- Operating Expenses	(715,605,187)
c- Other	(67,274,819)
<b>II- NET PROFIT / (LOSS) FROM FX TRANSACTIONS</b>	<b>2,192,386,238</b>
1- Net Profit / (Loss) from FX Reserves	2,195,204,308
a- FX Portfolio and Deposit Revenues	423,942,699
b- Interest Paid to FX Deposits by Citizens Abroad	(190,821,331)
c- Interest Received on FX Deposits	194,987
d- FX Net Profit	1,961,887,953
2- IMF GRA and Charges	(2,818,070)
<b>III- NET PROFIT / (LOSS) (I + II)</b>	<b>5,089,726,275</b>

The distribution of the Bank's net profit, pursuant to Article 60 of Bank's Law is specified as follows:

	<b>TL</b>
Net Profit of 2012	5,089,726,275
1. Reserves	(1,425,123,207)
Ordinary Reserves (Article 60 of Bank's Law)	1,017,945,255
Extraordinary Reserves (Article 60 of Bank's Law)	407,177,952
2. Shareholders	(3,000)
First Dividends	1,500
Second Dividends	1,500
3. Bonus to Personnel	(9,952,742)
4. Tax Provisions	(743,352,862)
Corporate Tax	743,352,862
<b>Remainder</b>	<b>2,911,294,464</b>

### 3.2.5. Explanations on Profit and Loss Account for the Period 01.01.2012-31.12.2012

The net profit of the Bank from TL transactions was TL 2,897,340,037. As of the end of 2012, the Bank had an interest income of TL 850,620,419 from its Turkish lira government securities portfolio. The net income from open market operations was TL 2,695,401,572 and the net loss from money market operations was TL 21,699,701.

The Bank had a net profit of TL 2,192,386,238 from foreign currency operations. As of the end of 2012, TL 423,942,699 was gained from foreign currency portfolio and deposit accounts. Interest of TL 190,821,331 was incurred for foreign exchange deposits by citizens abroad, TL 194,987 for foreign exchange deposits and TL 2,818,070 for the resources from the IMF. The net gain of foreign exchange operations was TL 1,961,887,953.

The distribution of operating expenses incurred for the operational activities of the Bank in the last two years is shown below on the basis of the expenditure items at 2003 prices:

At 2003 prices, TL	2011 (TL)	2012 (TL)	% Change
<b>I- Personnel Expenses</b>	262,208,572	272,877,527	4
<b>II- Other Expenses</b>	39,612,259	43,786,891	11
<b>III-Banknote Printing Expenses</b>	28,152,207	29,314,352	4
<b>Total</b>	<b>329,973,038</b>	<b>345,978,770</b>	<b>5</b>

In 2012, there was an increase in personnel expenses, other expenses and banknote printing expenses compared to 2011.

- **Personnel expenses:** These expenses cover salaries, fringe benefits, social security, health and education expenses and travel allowances.

Within the framework of the policy of decreasing personnel expenses by increasing efficiency through utilizing qualified human capital by employing a small number of employees with higher qualifications as well as implementing up-to-date technology, the number of personnel decreased by 33 percent from 6,880 in 1997 to 4,601 in 2012.

As compared to the previous year, there was a 4-percent increase in personnel expenses. There was also a 3-percent increase in salaries and fringe benefits, which constituted a significant portion of personnel expenses, compared to 2011. In 2012, the amount of gross salaries paid to the members of the Board, the Executive Committee, the Monetary Policy and the Auditing Committee of the Bank was TL 4,442,162. This amount accounts for 1 percent of total salaries and fringe benefits paid to personnel in 2012.

- **Other expenses:** There was an 11-percent increase in 2012 compared to the previous year. This increase resulted from the increase in insurance expenses, movable property rentals, expenses related to maintenance and repair with respect to the year 2011.
- **Banknote printing expenses:** There was also a 4-percent increase in 2012, as compared to the previous year.

The Bank prepares its budget with due diligence to maximize savings in general and investment expenditures, in light of the duties assigned by its Law, such as issuing banknotes, determining monetary policy, maintaining price stability and managing the foreign exchange reserves of the country, as well as keeping pace with improvements in technology.