3.3. Financial Statements in Accordance with IFRS

CONTENTS PAGE

The Central Bank of the Republic of Turkey

Balance Sheet as of 31 December 2012

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

	Notes	31 December 2012 Thousand TL	31 December 2011 Thousand TL	31 December 2012 Million US$(*)	31 December 2011 Million US$(*)
ASSETS					
Cash and gold reserves	6	35.391.097	19.515.995	19.854	10.332
Due from banks	7	31.169.704	63.974.262	17.486	33.869
Financial assets at fair value through profit or loss	8	177.158.701	132.421.605	99.382	70.105
Loans and advances to customers	9	6.810.250	3.039.303	3.820	1.609
Available-for-sale financial assets	10	539.850	534.382	303	283
Property and equipment	11	266.322	234.747	149	124
Intangible assets	12	8.018	8.174	4	4
Other assets	13	63.348	82.227	36	43
Total assets		**251.407.290**	**219.810.695**	**141.034**	**116.369**
LIABILITIES					
Currency in circulation	14	60.525.482	55.103.174	33.954	29.172
Due to banks	15	130.889.978	91.295.269	73.426	48.333
Other deposits	16	31.146.053	37.383.785	17.472	19.791
Due to International Monetary Fund ("IMF")	17	10.277	10.127	6	5
Other borrowed funds	18	1.398.694	516.143	785	273
Other liabilities	19	894.837	1.051.678	502	557
Taxes liabilities	20	14.593	723.002	8	383
Deferred tax liability	20	2.724.309	3.895.923	1.528	2.063
Retirement benefit obligations	21	119.290	91.477	67	48
Total liabilities		**227.723.513**	**190.070.578**	**127.748**	**100.625**
EQUITY					
Paid-in share capital	28	47.464	47.464	27	25
Retained earnings		23.151.282	29.212.680	12.987	15.465
Other reserves		485.031	479.973	272	254
Total equity		**23.683.777**	**29.740.117**	**13.286**	**15.744**
TOTAL LIABILITIES AND EQUITY		**251.407.290**	**219.810.695**	**141.034**	**116.369**

(*) US dollar ("US$") amounts presented above are converted from TL for convenience purposes only, at the official foreign currency bid rate announced by the Bank at 31 December 2012 and 2011, and therefore do not form part of these financial statements (Note 2.d.).

The notes on pages 89 to 134 are an integral part of these financial statements.

The Central Bank of the Republic of Turkey

Statement of Income for the Year Ended 31 December 2012

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

	Notes	2012 Thousand TL	2011 Thousand TL	2012 Million US$(*)	2011 Million US$(*)
Interest income	22	5.484.239	5.092.633	3.060	3.047
Interest expense	22	(1.014.834)	(638.399)	(566)	(382)
Net interest income	22	**4.469.405**	**4.454.234**	**2.494**	**2.665**
Fee and commission income	23	265.576	129.388	148	77
Fee and commission expense	23	(13.675)	(13.347)	(8)	(8)
Net fee and commission income	23	**251.901**	**116.041**	**140**	**69**
Dividend income	24	1.583	1.446	1	1
Net income/(expense) from financial assets at fair value through profit or loss		(1.020.559)	(493.674)	(570)	(295)
Foreign exchange gains, net	25	(3.869.149)	19.314.179	(2.159)	11.556
Other operating income		168.878	71.834	94	43
Impairment losses on loans and advances		(5.472)	(529.216)	(3)	(317)
Other operating expenses	26	(725.283)	(651.824)	(405)	(390)
Profit/(loss) before income tax		**(728.696)**	**22.283.020**	**(408)**	**13.332**
Income tax expense/(income)	20	428.671	(3.901.065)	239	(2.334)
Net profit/(loss) for the year		**(300.025)**	**18.381.955**	**(169)**	**10.998**

(*) US dollar ("US$") amounts presented above are converted from TL for convenience purposes only, at the average of daily official foreign currency bid rates announced by the Bank for the years ended 31 December 2012 and 2011, and therefore do not form part of these financial statements (Note 2.d.).

The notes on pages 89 to 134 are an integral part of these financial statements.

The Central Bank of the Republic of Turkey

Statement of Comprehensive Income for the Year Ended 31 December 2012

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

	Notes	2012 Thousand TL	2011 Thousand TL
Net profit/(loss) for the year		**(300.025)**	**18.381.955**
Other comprehensive income			
Changes in fair values of available-for-sale securities	10	5.468	116.330
Deferred tax on changes in fair values of available-for-sale securities	20	(410)	(5.380)
Gains on demonetized banknotes	14	-	4.893
Total comprehensive income/(expense) for the year		**(294.967)**	**18.497.798**

The notes on pages 89 to 134 are an integral part of these financial statements.

The Central Bank of the Republic of Turkey

Statement of Changes in Equity for the Year Ended 31 December 2012

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

	Paid-in share capital					
	Share capital	Adjustment to share capital	Total paid-in share capital	Other reserves	Retained earnings	Total
Balance at 1 January 2011	**25**	**47.439**	**47.464**	**364.130**	**11.695.995**	**12.107.589**
Cash dividends paid	-	-	-	-	(865.270)	(865.270)
Other	-	-	-	4.893	-	4.893
Total comprehensive income for the year ended 31 December 2011	-	-	-	110.950	18.381.955	18.492.905
Balance at 31 December 2011	**25**	**47.439**	**47.464**	**479.973**	**29.212.680**	**29.740.117**
Balance at 1 January 2012	**25**	**47.439**	**47.464**	**479.973**	**29.212.680**	**29.740.117**
Cash dividends paid	-	-	-	-	(5.761.373)	(5.761.373)
Total comprehensive income/(expense) for the year ended 31 December 2012	-	-	-	5.058	(300.025)	(294.967)
Balance at 31 December 2012	**25**	**47.439**	**47.464**	**485.031**	**23.151.282**	**23.683.777**

The notes on pages 89 to 134 are an integral part of these financial statements.

The Central Bank of the Republic of Turkey

Statement of Cash Flows for the Year Ended 31 December 2012

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

	Notes	2012 Thousand TL	2011 Thousand TL
Cash flows (used in)/from operating activities			
Net profit/(loss) for the year		**(300.025)**	**18.381.955**
Adjustment for:			
Depreciation of property and equipment	11	16.875	14.841
Amortization of intangible assets	12	1.302	960
Retirement benefit obligations	21	31.745	11.851
Interest income, net	22	(4.469.405)	(4.454.234)
Interest received		5.445.190	5.080.220
Interest paid		(1.297.864)	(698.164)
Dividend income	24	(1.583)	(1.446)
Commission income, net	23	(251.901)	(116.041)
Commissions received, net		283.386	98.420
Commissions paid		(13.675)	(13.347)
Income tax expense/(income)	20	(428.671)	3.901.065
Unrealized foreign exchange gains, net		5.833.789	(11.720.089)
(Increase)/decrease in value of financial assets, net		456.050	(364.620)
(Gain)/loss on sale of property and equipment		789	(59.362)
Other		951	1.004
Cash flows from operating profits before changes in operating assets and liabilities		**5.306.953**	**10.063.013**
Changes in operating assets and liabilities:			
Net change in financial assets at fair value through profit or loss		(60.084.202)	776.116
Net change in loans and advances to customers		(4.323.911)	(2.054.445)
Net change in other assets		(4.038)	60.525
Net change in currency in circulation		5.422.308	6.170.507
Net change in due to banks		48.582.526	29.621.673
Net change in other deposits		(3.850.620)	1.134.792
Net change in other liabilities		(59.298)	(5.860)
Taxes paid		(1.451.762)	(725.472)
Retirement benefits paid	21	(3.932)	(2.458)
Net cash (used in)/from operating activities		**(10.465.976)**	**45.038.391**
Cash flows (used in)/from investing activities			
Purchase of property, equipment and intangible assets	11-12	(50.981)	(26.166)
Cash proceeds from disposals of property, equipment and intangible assets		596	71.830
Dividends received		6.666	5.772
Net cash (used in)/from investing activities		**(43.719)**	**51.436**
Cash flows (used in)/from financing activities			
Borrowed/(paid) bank loans, net		882.701	(583.991)
Dividends paid		(5.761.373)	(865.270)
Net cash used in financing activities		**(4.878.672)**	**(1.449.261)**
Effects of exchange-rate changes on cash and cash equivalents		**(1.540.073)**	**4.967.610**
Change in cash and cash equivalents		**(16.928.440)**	**48.608.176**
Cash and cash equivalents at the beginning of the period	30	**83.457.154**	**34.848.978**
Cash and cash equivalents at the end of the period	30	**66.528.714**	**83.457.154**

The notes on pages 89 to 134 are an integral part of these financial statements.

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

NOTE 1 - GENERAL INFORMATION

The Central Bank of the Republic of Turkey (the "Bank") was incorporated in Turkey in 1931. It was established as a joint stock company with the exclusive privilege of issuing banknotes in Turkey and is vested with the powers and duties set forth in the Central Bank of the Republic of Turkey Law No. 1211 (the "Central Bank Law"). The Head Office of the Bank is located in Ankara. The Bank's registered head office is located at the following address: İstiklal Cad. 10 Ulus, 06100 Ankara, Turkey. The Bank now operates a nationwide network of 21 branches and 4 foreign representatives. As of 31 December 2012, the Bank employed 4.585 people (31 December 2011: 4.398).

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

The fundamental duties of the Bank are;

a) to carry out open market operations,

b) to take necessary measures in order to protect the domestic and international value of the Turkish Lira ("TL") and to establish the exchange rate policy in determining the parity of TL against gold and foreign currencies jointly with the Government of the Republic of Turkey ("Turkish Government"); to execute transactions such as spot and forward purchases and sales of foreign currency and banknotes, foreign currency swaps and other derivatives transactions in order to determine the value of TL against other currencies,

c) to determine the procedures and conditions of reserve requirements by taking into consideration the liabilities of banks and other financial institutions to be deemed appropriate by the Bank,

d) to conduct rediscount and advance transactions,

e) to manage the gold and foreign currency reserves of the country,

f) to regulate the volume and circulation of the TL, to establish payment, securities transfer and settlement systems and to set forth regulations to ensure the uninterrupted operation and supervision of the existing or future systems, to determine the methods and instruments including electronic environment for payments,

g) to take precautions for enhancing the stability in the financial system and to take regulatory measures with respect to money and foreign exchange markets,

h) to monitor the financial markets, and

i) to determine the terms and types of deposits in banks and the terms of participation funds in special finance houses.

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

NOTE 2 - BASIS OF PRESENTATION

(a) Turkish Lira Financial Statements

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

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

These financial statements will be submitted to General Assembly of the Bank on 9 April 2013 after the approval of Board of the Bank on 14 March 2013.

(b) Application of New and Revised Standards

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

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

New and Revised IFRSs affecting presentation and disclosure only

None.

New and Revised IFRSs, valid from the year 2012, applied with no material effect on the financial statements

Amendments to IFRS 7 Disclosures - Transfers of Financial Assets

The Bank has applied the amendments to IFRS 7 Disclosures - Transfers of Financial Assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

These amendments to IFRS 7 did not have a significant effect on the Bank's disclosures. However, if the Bank enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

The Bank has applied the amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes unless the presumption is rebutted.

The amendment is effective for annual periods beginning on or after 1 January 2012. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, through sale. The amendment did not have any effect on the financial statements as the Bank does not have any investment property.

New and revised IFRSs in issue but not yet effective

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

Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to IAS 1	Clarification of the Requirements for Comparative Information[2]
IFRS 9	Financial Instruments[5]
IFRS 10	Consolidated Financial Statements[3]
IFRS 11	Joint Arrangements[3]
IFRS 12	Disclosure of Interests in Other Entities[3]
IFRS 13	Fair Value Measurement[3]
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[3]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[5]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guide[3]
IAS 19 (as revised in 2011)	Employee Benefits[3]
IAS 27 (as revised in 2011)	Separate Financial Statements[3]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle except for the amendment to IAS 1[3]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013 as part of the Annual Improvements to IFRSs 2009-2011 Cycle issued in May 2012.
[3] Effective for annual periods beginning on or after 1 January 2013.
[4] Effective for annual periods beginning on or after 1 January 2014.
[5] Effective for annual periods beginning on or after 1 January 2015.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

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

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009-2011 Cycle issued in May 2012)

The amendments to IAS 1 as part of the Annual Improvements to IFRSs 2009-2011 Cycle issued in May 2012 are effective for the annual periods beginning on or after 1 January 2013. IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Central Bank of the Republic of Turkey
Notes to the Financial Statements as of 31 December 2012
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

The Bank management anticipates that the application of IFRS 9 in the future may have significant impact on amounts reported in respect of the Bank's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

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

Key requirements of these five Standards are described below.

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

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

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

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

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

IFRS 13 Fair Value Measurement

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

The Central Bank of the Republic of Turkey
Notes to the Financial Statements as of 31 December 2012
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Bank management anticipates that IFRS 13 will be adopted in the Bank's financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Amendments to IFRS 7 and IAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures

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

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

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Bank management anticipates that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

IAS 19 Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application.

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

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

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

The Central Bank of the Republic of Turkey
Notes to the Financial Statements as of 31 December 2012
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

Amendments to IAS 16

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

Amendments to IAS 32

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

(c) Accounting for the effect of hyperinflation

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

(d) US$ conversion

US$ amounts shown in the balance sheets are converted from TL for convenience purposes only, at the official bid rates announced by the Bank on 31 December 2012 of TL 1,7826 = US$ 1 (31 December 2011: TL 1,8889 = US$ 1) and US$ amounts shown in the income statements are converted from TL for convenience purposes only, at the average US$ bid rates calculated from the daily official bid rates announced by the Bank for the year ended 31 December 2012 of TL 1,79249 = US$ 1 (2011: TL 1,67135 = US$ 1) and therefore, do not form part of these financial statements.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Foreign currency translation

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

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

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

Exchange rates

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

	31 December 2012	31 December 2011
US Dollar ("US$")	1,7826	1,8889
Euro ("EUR")	2,3517	2,4438
Swiss Franc ("CHF")	1,9430	2,0062
Great Britain Pound ("GBP")	2,8708	2,9170
Japanese Yen ("JPY")	0,0206	0,0243
Special Drawing Rights ("SDR") (*)	2,7536	2,9220

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

(b) Interest income and expense

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

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

(c) Fee and commission income

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

(d) Income taxes

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

Current tax

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

Deferred tax

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

The Central Bank of the Republic of Turkey
Notes to the Financial Statements as of 31 December 2012
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

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

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

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

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

Current and deferred tax for the period

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

(e) Gold reserves

Gold bullion

Gold bullion consists of the stocks of gold bars of international standard and non-international standard held at the Bank and held with correspondents. Gold is held by the Bank as part of its foreign currency reserves and represents 15,76% (31 December 2011: 11,04%) of aggregate foreign currency reserves. The Bank has no present intention to dispose of any of its existing gold reserve stocks as the Bank maintains the gold reserve as a part of its foreign currency reserve management. Gold bullion is recorded in physical weight in troy ounces.

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

Gains and losses from the valuation of gold bullions arising as a result of the changes in the fair value are charged directly to the income statement.

The exchange rate of gold bullion to TL as of 31 December 2012 was TL 2.966 per troy ounce (31 December 2011: TL 2.974 per troy ounce).

Gold coins

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

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

(f) Financial assets

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

Financial assets at fair value through profit or loss

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

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

Investment securities held-to-maturity

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

Loans and receivables

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

Investment securities available-for-sale

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

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

The Central Bank of the Republic of Turkey
Notes to the Financial Statements as of 31 December 2012
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

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

Effective interest method

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

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

Impairment of financial assets

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

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

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

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

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

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

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

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

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

(h) Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

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

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

(i) Sale and repurchase agreements

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

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

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

Sale and repurchase agreements of TL denominated securities are undertaken within the scope of the open market operations of the Bank.

(j) Money issuance

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

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

(k) Property and equipment

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

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

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

The useful lives of the property and equipment are as follows;

Buildings	50 years
Equipment and motor vehicles	5 years

(l) Intangible assets

Intangible assets acquired separately

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

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

Trademarks and licenses

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

Computer software

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

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

(m) Banknotes in circulation

Currency in Circulation - Turkish Lira

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

Demonetized Currency - Turkish Lira and New Turkish Lira

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

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

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

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

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

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

(n) Provisions

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

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

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

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

(o) Retirement benefit obligations

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

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation. All the actuarial gains and losses have been recognized in the income statement.

(p) Related parties

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

(r) Cash and cash equivalents

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

(s) Profit distribution

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

i) 20% to the reserve fund,

ii) 6% over the nominal value of the equity shares to the shareholders as an initial dividend,

iii) After deducting the above-stated percentages a maximum of 5% of the remaining amount; so as not to exceed two months salaries; to the Bank personnel and 10% percent to the extraordinary reserves,

iv) Subject to the decision of the General Assembly a maximum of 6% over the nominal value of the equity shares to the shareholders as the secondary dividend.

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

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

As the Bank maintains its books of account and prepares its statutory financial statements in accordance with Turkish Commercial Practice and Tax Legislation and the Central Bank Law; the statutory net profit of the Bank is the basis for the profit distribution, in accordance with the Central Bank Law.

(t) Comparatives

In order to allow the determination of the financial position and performance trends, the financial statements of the Bank are prepared comparatively with the prior period. Certain classifications are made in the previous year financial statements and the significant differences are disclosed in order to maintain comparability with the current year cash flow statement. Currently, the Bank hasn't made such classification in the previous year financial statement.

(u) Fiduciary activities

The Bank commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals and financial institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets or income of the Bank. Fiduciary capacity at 31 December 2012 and 2011 is as follows:

	31 December 2012	31 December 2011
Securities held in custody	355.852.272	314.880.654
Total	**355.852.272**	**314.880.654**

NOTE 4 - FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

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

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

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

The Central Bank of the Republic of Turkey
Notes to the Financial Statements as of 31 December 2012
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

(b) Credit risk

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

The management of the credit risk that the Bank is exposed to during the foreign currency reserve management is based on the principle of minimizing the default probabilities of the counterparties and the financial loss in case of default. In this framework, the Bank implements a three-stage risk management process in order to minimize the credit risk arising from foreign currency reserve management operations. In the first stage, the Bank confines its investments to the leading international financial institutions and debtors that meet the minimum credit rating criteria specified in the Guideline based on the credit ratings given by the international credit rating agencies. Accordingly, the Bank can take on exposure to banks having at least A1 or an equivalent credit rating, with a maturity of up to one year; while it can invest in securities issued or directly guaranteed by foreign governments which have at least Aa2 or an equivalent credit rating, in their domestic currencies as long as the remaining maturity is 10 years at the most. The Bank can also invest in securities issued by the World Bank, the Bank for International Settlements ("BIS") and the European Investment Bank, regardless of the credit rating criteria. In the second stage, the total transaction limit, expressed as a percentage of total reserves, is specified in order to control overall credit risk including settlement risk arising from transactions with financial institutions. By setting this overall credit risk limit within the scope of the SBP set each year, the Bank aims to prevent non-sovereign credit risk from exceeding its risk tolerance. In the third stage, the institutions eligible for transactions are chosen among those institutions meeting the minimum credit rating criteria set in the Guideline, using the fundamental and the financial analysis methods each institution is granted a certain credit risk limit in view of their capital size and credit quality. In all transactions executed with these institutions, credit risk exposures that are calculated on the basis of transaction type are immediately reflected on their limits, and the use of these limits are regularly monitored and reported.

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

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

Total assets of the Bank exposed to the credit risk as of 31 December 2012 and 2011 are presented in the table below according to different asset classes (classification according to external credit ratings is done based on the credit ratings published by Moody's):

	31 December 2012		31 December 2011	
	TL	Share (%)	TL	Share (%)
Due from banks	**31.169.704**	**14**	**63.974.262**	**32**
- Demand Deposits	**3.248.881**	**2**	**6.908.815**	**3**
Central Banks	244.759	1	3.523.477	2
Supranational Institutions	2.895.733	1	3.121.675	2
Foreign Commercial Banks	108.389	<1	263.663	<1
- Time Deposits	**4.889.268**	**2**	**17.471.893**	**9**
Central Banks	4.422.803	1	5.325.220	3
Supranational Institutions	315	<1	9.983.960	5
Foreign Commercial Banks	446.531	<1	544.166	<1
Aaa	-	-	544.166	<1
Aa1	-	-	-	-
Aa2	446.531	-	-	-
Domestic Commercial Banks	19.619	-	1.618.547	1
- Securities purchased under agreements to resell	**23.031.555**	**11**	**39.593.554**	**20**
Domestic Commercial Banks	23.031.555	11	39.593.554	20
Financial assets at fair value through profit or loss	**177.158.701**	**82**	**132.421.605**	**66**
Foreign Country Treasuries	161.650.682	75	117.081.357	59
Aaa	161.650.682	75	117.081.357	59
Aa1	-	-	-	-
Supranational Institutions	7.048.310	3	7.523.716	4
Turkish Treasury	8.459.709	4	7.816.532	4
Loans and advances to customers	**6.810.250**	**3**	**3.039.303**	**2**
Available-for-sale financial assets	**539.850**	**<1**	**534.382**	**<1**
Supranational Institutions	539.850	<1	534.382	<1
Other assets	**8.357**	**<1**	**11.621**	**<1**
Total	**215.686.862**	**100**	**199.981.173**	**100**

Although the Turkish Government bonds issued by the Turkish Treasury are included in the above table, the Bank does not consider its receivables from the Turkish Treasury as risky in terms of credit risk and therefore does not take these assets into account when calculating its credit risk exposures. Similarly, the receivables from domestic commercial banks for the purpose of monetary policy implementations are also excluded when calculating credit risk exposures because of the fully collateralized nature of these transactions as previously explained. As of 31 December 2012, the Bank has receivables amounting to TL 23.031.555 thousand (31 December 2011: TL 39.593.554 thousand) placed with domestic commercial banks as part of securities purchased under agreements to resell. As of 31 December 2012, the Bank has foreign exchange market operations amounting to TL 19.619 thousand classified under "Due from banks" (31 December 2011: TL 1.618.547 thousand). The fair value of the security collaterals obtained for the deposits placed under securities purchased under agreements to resell as of 31 December 2012 is TL 23.080.611 thousand (31 December 2011: TL 39.628.648 thousand). In addition, as of 31 December 2012, the Bank has security collaterals amounting to TL 5.661.311 thousand (31 December 2011: TL 8.629.041 thousand) obtained for all foreign exchange markets operations including the placed deposits under foreign currency deposit market operations amounting to TL 19.619 thousand. As of 31 December 2012 and 2011, the security collaterals are the Turkish Government bonds issued by the Turkish Treasury.

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

The sectoral classifications of the Bank's credit exposure as of 31 December 2012 and 2011 are as follows:

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

	31 December 2011						
	Foreign Country Treasury	Foreign Central Banks	Supranational Financial Institutions	Domestic Financial Institutions	Foreign Financial Institutions	Turkish Treasury	Total
Due from banks	-	9.092.442	13.105.592	41.212.101	564.127	-	63.974.262
Financial assets at fair value through profit or loss	117.081.357	-	7.523.716	-	-	7.816.532	132.421.605
Loans and advances to customer	-	20.646	-	3.018.657	-	-	3.039.303
Available-for-sale financial assets	-	-	534.382	-	-	-	534.382
Other assets	-	-	4.729	6.851	41	-	11.621
Total	**117.081.357**	**9.113.088**	**21.168.419**	**44.237.609**	**564.168**	**7.816.532**	**199.981.173**

As indicated above, the credit risk is mainly concentrated on foreign country treasury and central banks, supranational financial institutions, domestic financial institutions and Turkish Treasury as of 31 December 2012 and 2011.

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

Geographical concentrations of assets, liabilities and off-balance sheet items of the Bank as of 31 December 2012 and 2011 are as follows:

	31 December 2012					
	Turkey	Other European Countries	Canada and US	South - East Asia	Other Countries	Total
Cash and gold reserves	3.656.168	28.801.042	2.929.327	214	4.346	35.391.097
Due from banks	23.051.174	5.193.089	2.662.907	252.424	10.110	31.169.704
Financial assets at fair value through profit or loss	8.459.709	66.158.499	102.540.493	-	-	177.158.701
Loans and advances to customers	6.796.711	3.208	-		10.331	6.810.250
Available-for-sale financial assets	-	522.024	-	17.826	-	539.850
Property and equipment	266.322	-	-	-	-	266.322
Intangible assets	8.018	-	-	-	-	8.018
Other assets	63.309	-	39	-	-	63.348
Total assets	**42.301.411**	**100.677.862**	**108.132.766**	**270.464**	**24.787**	**251.407.290**
Currency in circulation	60.525.482	-	-	-	-	60.525.482
Due to banks	130.884.222	1	5.445	310		130.889.978
Other deposits	19.936.369	11.179.928	24.984	3.548	1.224	31.146.053
Due to IMF	-	-	10.277	-	-	10.277
Other borrowed funds	1.398.694	-	-	-	-	1.398.694
Other liabilities	93.225	165.638	650.567	-	-	909.430
Deferred income tax liability	2.724.309	-	-	-	-	2.724.309
Retirement benefit obligations	119.290	-	-	-	-	119.290
Equity	23.683.777	-	-	-	-	23.683.777
Total liabilities and equity	**239.365.368**	**11.345.567**	**691.273**	**3.858**	**1.224**	**251.407.290**
Net balance sheet position	**(197.063.957)**	**89.332.295**	**107.441.493**	**266.606**	**23.563**	**-**
Off-balance sheet commitments	**24.386.573**	**82.608**	**-**	**-**	**-**	**24.469.181**

	31 December 2011					
	Turkey	Other European Countries	Canada and US	South - East Asia	Other Countries	Total
Cash and gold reserves	3.602.848	12.968.798	2.941.450	58	2.841	19.515.995
Due from banks	41.212.102	16.723.830	4.507.443	1.519.216	11.671	63.974.262
Financial assets at fair value through profit or loss	7.816.532	65.218.945	59.386.128	-	-	132.421.605
Loans and advances to customers	3.018.657	4.370	-	-	16.276	3.039.303
Available-for-sale financial assets	-	515.493	-	18.889	-	534.382
Property and equipment	234.747	-	-	-	-	234.747
Intangible assets	8.174	-	-	-	-	8.174
Other assets	77.456	4.729	42	-	-	82.227
Total assets	**55.970.516**	**95.436.165**	**66.835.063**	**1.538.163**	**30.788**	**219.810.695**
Currency in circulation	55.103.174	-	-	-	-	55.103.174
Due to banks	91.287.625	2	7.313	329		91.295.269
Other deposits	21.774.546	15.560.136	41.658	5.733	1.712	37.383.785
Due to IMF	-	-	10.127	-	-	10.127
Other borrowed funds	516.143	-	-	-	-	516.143
Other liabilities	780.921	159.874	833.885	-	-	1.774.680
Deferred income tax liability	3.895.923	-	-	-	-	3.895.923
Retirement benefit obligations	91.477	-	-	-	-	91.477
Equity	29.740.117	-	-	-	-	29.740.117
Total liabilities and equity	**203.189.926**	**15.720.012**	**892.983**	**6.062**	**1.712**	**219.810.695**
Net balance sheet position	**(147.219.410)**	**79.716.153**	**65.942.080**	**1.532.101**	**29.076**	**-**
Off-balance sheet commitments	**35.520.705**	**87.660**	**-**	**-**	**-**	**35.608.365**

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

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

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

There are no financial assets that are past due but not impaired at 31 December 2012 and 2011; therefore, there are no collaterals held against such past due financial assets.

As of 31 December 2012 and 2011, the Bank has no assets held for resale.

(c) Market risk

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

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

(d) Currency risk

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

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

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

The net foreign currency position of the Bank as of 31 December 2012 and 2011 is summarized below. The table presented below provides the Bank's assets, liabilities, and equity at carrying amounts, categorized by currency:

	31 December 2012									
	Foreign currency									
	US$	EUR	JPY	CHF	GBP	SDR	Other	Total	TL	TOTAL
Cash and gold reserves	34.793.696	482.718	214	10.874	7.227	-	6.544	35.301.273	89.824	35.391.097
Due from banks	4.213.847	590.643	252.963	230.399	157.660	2.667.989	24.177	8.137.678	23.032.026	31.169.704
Financial assets at fair value through profit or loss	109.588.803	56.728.356	-	-	2.381.833	-	-	168.698.992	8.459.709	177.158.701
Loans and advances to customers	5.618.837	1.191.107	-	-	306	-	-	6.810.250	-	6.810.250
Available-for-sale financial assets	17.826	62	-	-	-	521.962	-	539.850	-	539.850
Property and equipment	-	-	-	-	-	-	-	-	266.322	266.322
Intangible assets	-	-	-	-	-	-	-	-	8.018	8.018
Other assets	114	159	757	1	127	40	12	1.210	62.138	63.348
Total assets	**154.233.123**	**58.993.045**	**253.934**	**241.274**	**2.547.153**	**3.189.991**	**30.733**	**219.489.253**	**31.918.037**	**251.407.290**
Currency in circulation	-	-	-	-	-	-	-	-	60.525.482	60.525.482
Due to banks	75.396.160	36.557.373	-	-	19.642	-	-	111.973.175	18.916.803	130.889.978
Other deposits	7.930.143	13.873.886	4.777	82.252	6.209	2.640.765	14	24.538.046	6.608.007	31.146.053
Due to IMF	-	-	-	-	-	10.277	-	10.277	-	10.277
Other borrowed funds	-	-	-	-	-	-	-	-	1.398.694	1.398.694
Other liabilities	650.567	138.443	-	768	12.512		13.915	816.205	93.225	909.430
Deferred income tax liability	-	-	-	-	-	-	-	-	2.724.309	2.724.309
Retirement benefit obligations	-	-	-	-	-	-	-	-	119.290	119.290
Equity	-	-	-	-	-	-	-	-	23.683.777	23.683.777
Total liabilities and equity	**83.976.870**	**50.569.702**	**4.777**	**83.020**	**38.363**	**2.651.042**	**13.929**	**137.337.703**	**114.069.587**	**251.407.290**
Net balance sheet position	**70.256.253**	**8.423.343**	**249.157**	**158.254**	**2.508.790**	**538.949**	**16.804**	**82.151.550**	**(82.151.550)**	**-**

	31 December 2011									
	Foreign currency									
	US$	EUR	JPY	CHF	GBP	SDR	Other	Total	TL	TOTAL
Cash and gold reserves	19.179.124	235.146	58	10.373	7.408	-	4.435	19.436.544	79.451	19.515.995
Due from banks	7.084.055	12.304.662	1.519.852	267.548	243.032	2.837.502	34.939	24.291.590	39.682.672	63.974.262
Financial assets at fair value through profit or loss	66.783.374	54.856.706	-	-	2.964.993	-	-	124.605.073	7.816.532	132.421.605
Loans and advances to customers	2.552.167	487.136	-	-	-	-	-	3.039.303	-	3.039.303
Available-for-sale financial assets	18.889	64	-	-	-	515.429	-	534.382	-	534.382
Property and equipment	-	-	-	-	-	-	-	-	234.747	234.747
Intangible assets	-	-	-	-	-	-	-	-	8.174	8.174
Other assets	87	390	934	-	115	4.771	518	6.815	75.412	82.227
Total assets	**95.617.696**	**67.884.104**	**1.520.844**	**277.921**	**3.215.548**	**3.357.702**	**39.892**	**171.913.707**	**47.896.988**	**219.810.695**
Currency in circulation	-	-	-	-	-	-	-	-	55.103.174	55.103.174
Due to banks	29.327.207	33.167.970	-	-	18.033	-	-	62.513.210	28.782.059	91.295.269
Other deposits	3.366.192	22.666.381	9.587	91.762	56.036	2.802.264	270	28.992.492	8.391.293	37.383.785
Due to IMF	-	-	-	-	-	10.127	-	10.127	-	10.127
Other borrowed funds	-	-	-	-	-	-	-	-	516.143	516.143
Other liabilities	833.885	136.877	-	2.178	6.950	-	13.867	993.757	780.923	1.774.680
Deferred income tax liability	-	-	-	-	-	-	-	-	3.895.923	3.895.923
Retirement benefit obligations	-	-	-	-	-	-	-	-	91.477	91.477
Equity	-	-	-	-	-	-	-	-	29.740.117	29.740.117
Total liabilities and equity	**33.527.284**	**55.971.228**	**9.587**	**93.940**	**81.019**	**2.812.391**	**14.137**	**92.509.586**	**127.301.109**	**219.810.695**
Net balance sheet position	**62.090.412**	**11.912.876**	**1.511.257**	**183.981**	**3.134.529**	**545.311**	**25.755**	**79.404.121**	**(79.404.121)**	**-**

In order to measure the sensitivity of the foreign exchange gain/loss against volatility in exchange rates, foreign currency net position values were re-calculated under the assumption of the appreciation of the TL by 10% against all foreign currencies. The hypothetic loss that would occur in the total market value of the net foreign currency positions of the Bank as of 31 December 2012 and 2011 under such an assumption is presented in the tables below:

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

Sensitivity of the net foreign currency position:

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

	31 December 2011									
	Foreign currency									
	US$	EUR	JPY	CHF	GBP	SDR	Other	Total	TL	TOTAL
Total assets	95.617.696	67.884.104	1.520.844	277.921	3.215.548	3.357.702	39.892	171.913.707	47.896.988	219.810.695
Total liabilities	33.527.284	55.971.228	9.587	93.940	81.019	2.812.391	14.137	92.509.586	127.301.109	219.810.695
Net balance sheet position	62.090.412	11.912.876	1.511.257	183.981	3.134.529	545.311	25.755	79.404.121	(79.404.121)	-
Scenario of 10% appreciation of TL	(6.209.041)	(1.191.288)	(151.126)	(18.398)	(313.453)	(54.531)	(2.576)	(7.940.412)	-	(7.940.412)

(e) Interest rate risk

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

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

The tables below summarize the Bank's exposure to interest rate risk at 31 December 2012 and 2011, for TL and foreign currency denominated assets and liabilities. Presented in the tables are the Bank's assets and liabilities in carrying amounts classified in terms of time remaining to contractual re-pricing dates or maturity.

31 December 2012						
					Foreign currency	
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing
Cash and gold reserves	-	-	-	-	-	35.301.273
Due from banks	4.889.268	-	-	-	-	3.248.410
Financial assets at fair value through profit or loss	13.219.586	43.398.833	112.080.573	-	-	-
Loans and advances to customers	1.861.808	3.447.325	1.494.050	7.067	-	-
Available-for-sale financial assets	-	-	-	-	-	539.850
Property and equipment	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Other assets	17	-	-	-	-	1.193
Total assets	**19.970.679**	**46.846.158**	**113.574.623**	**7.067**	**-**	**39.090.726**
Currency in circulation	-	-	-	-	-	-
Due to banks	106.313	-		-	-	111.866.862
Other deposits	10.680.143	826.727	5.495.626	5.919.603	-	1.615.947
Due to IMF	-	348	-	-	-	9.929
Other borrowed funds	-	-	-	-	-	-
Other liabilities	5.566	-	-	-	-	810.639
Deferred income tax liability	-	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Total liabilities and equity	**10.792.022**	**827.075**	**5.495.626**	**5.919.603**	**-**	**114.303.377**
Net repricing gap	**9.178.657**	**46.019.083**	**108.078.997**	**(5.912.536)**	**-**	**(75.212.651)**

31 December 2011						
					Foreign currency	
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing
Cash and gold reserves	-	-	-	-	-	19.436.544
Due from banks	20.766.026	-	-	-	-	3.525.564
Financial assets at fair value	12.174.425	22.676.475	89.754.173	-	-	-
Loans and advances to customers	359.073	1.684.609	979.690	14.315	1.616	-
Available-for-sale financial assets	-	-	-	-	-	534.382
Property and equipment	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Other assets	745	-	4.729	-	-	1.341
Total assets	**33.300.269**	**24.361.084**	**90.738.592**	**14.315**	**1.616**	**23.497.831**
Currency in circulation	-	-	-	-	-	-
Due to banks	928.715	-		-	-	61.584.495
Other deposits	8.497.632	1.060.772	7.799.746	8.338.788	-	3.295.554
Due to IMF	-	1.192	-	-	-	8.935
Other borrowed funds	-	-	-	-	-	-
Other liabilities	1.086	-	-	-	-	992.671
Deferred income tax liability	-	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Total liabilities and equity	**9.427.433**	**1.061.964**	**7.799.746**	**8.338.788**	**-**	**65.881.655**
Net repricing gap	**23.872.836**	**23.299.120**	**82.938.846**	**(8.324.473)**	**1.616**	**(42.383.824)**

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

	TL							
FC Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	TL Total	Total
35.301.273	-	-	-	-	-	89.824	89.824	35.391.097
8.137.678	23.031.555	-	-	-	-	471	23.032.026	31.169.704
168.698.992	3.033.769	1.845.261	3.580.679	-	-	-	8.459.709	177.158.701
6.810.250					-	-	-	6.810.250
539.850	-	-	-	-	-	-	-	539.850
-	-	-	-	-	-	266.322	266.322	266.322
-	-	-	-	-	-	8.018	8.018	8.018
1.210	8.333	-	-	-	-	53.805	62.138	63.348
219.489.253	**26.073.657**	**1.845.261**	**3.580.679**	**-**	**-**	**418.440**	**31.918.037**	**251.407.290**
-	-	-	-	-	-	60.525.482	60.525.482	60.525.482
111.973.175	2.264.052	-	-	-	-	16.652.751	18.916.803	130.889.978
24.538.046	6.225.569	-	-	-	-	382.438	6.608.007	31.146.053
10.277	-	-	-	-	-	-	-	10.277
-	1.398.694	-	-	-	-	-	1.398.694	1.398.694
816.205	-	-	-	-	-	93.225	93.225	909.430
-	-	-	-	-	-	2.724.309	2.724.309	2.724.309
-	-	-	-	-	-	119.290	119.290	119.290
-	-	-	-	-	-	23.683.777	23.683.777	23.683.777
137.337.703	**9.888.315**	**-**	**-**	**-**	**-**	**104.181.272**	**114.069.587**	**251.407.290**
82.151.550	**16.185.342**	**1.845.261**	**3.580.679**	**-**	**-**	**(103.762.832)**	**(82.151.550)**	**-**

	TL							
FC Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	TL Total	Total
19.436.544	-	-	-	-	-	79.451	79.451	19.515.995
24.291.590	39.593.554	-	-	-	-	89.118	39.682.672	63.974.262
124.605.073	3.294.055	1.271.148	2.286.559	964.770	-	-	7.816.532	132.421.605
3.039.303	-	-	-	-	-	-	-	3.039.303
534.382	-	-	-	-	-	-	-	534.382
-	-	-	-	-	-	234.747	234.747	234.747
-	-	-	-	-	-	8.174	8.174	8.174
6.815	6.926	-	-	-	-	68.486	75.412	82.227
171.913.707	**42.894.535**	**1.271.148**	**2.286.559**	**964.770**	**-**	**479.976**	**47.896.988**	**219.810.695**
-	-	-	-	-	-	55.103.174	55.103.174	55.103.174
62.513.210	-	-	-	-	-	28.782.059	28.782.059	91.295.269
28.992.492	8.195.538	-	-	-	-	195.755	8.391.293	37.383.785
10.127	-	-	-	-	-	-	-	10.127
-	516.143	-	-	-	-	-	516.143	516.143
993.757	-	-	-	-	-	780.923	780.923	1.774.680
-	-	-	-	-	-	3.895.923	3.895.923	3.895.923
-	-	-	-	-	-	91.477	91.477	91.477
-	-	-	-	-	-	29.740.117	29.740.117	29.740.117
92.509.586	**8.711.681**	**-**	**-**	**-**	**-**	**118.589.428**	**127.301.109**	**219.810.695**
79.404.121	**34.182.854**	**1.271.148**	**2.286.559**	**964.770**	**-**	**(118.109.452)**	**(79.404.121)**	**-**

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

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

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

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

Within this framework, based on the average modified durations of foreign currency assets as of 31 December 2012 and 2011, the prospective decline in the market values of the assets in case of a 1% rise in the related interest rates are presented below. The 1% rise scenario is based on the assumption that the yield curves for the related currencies shift 1% upwards in all maturities simultaneously.

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

	31 December 2012			31 December 2011		
	US$	EUR	TOTAL	US$	EUR	TOTAL
Market value of the foreign currency assets	109.588.803	56.728.356	166.317.159	66.783.374	54.856.706	121.640.080
Effect of the scenario of 1% increase in interest rates	(608.242)	(670.062)	(1.278.304)	(617.815)	(532.525)	(1.150.340)

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

The tables below set out the average effective interest rates by major currencies for monetary financial instruments at 31 December 2012 and 2011:

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

	31 December 2011		
	US$ (%)	EUR (%)	TL (%)
Assets			
Due from banks	0,06	0,02	9,04
Financial assets at fair value through profit or loss	0,21	0,28	10,99
Loans and advances to customers	0,54	1,56	-
Liabilities			
Due to banks	3,91	3,59	-
Other deposits	1,52	1,97	5,75
Other borrowed funds	-	-	5,00

(f) Liquidity risk

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

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

The table below shows the breakdown of both TL and foreign currency denominated assets and liabilities of the Bank in terms of their relevant maturity groupings at the balance sheet date, based on the remaining time to contractual maturity:

31 December 2012							
					Foreign currency		
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No Maturity
Cash and gold reserves	35.301.273	-	-	-	-	-	-
Due from banks	3.248.410	4.889.268	-	-	-	-	-
Financial assets at fair value through profit or loss	-	5.993.536	35.045.368	89.870.025	37.790.063	-	-
Loans and advances to customers	-	1.861.808	3.447.325	1.494.050	7.067	-	-
Available-for-sale financial assets	-	-	-	-	-	-	539.850
Property and equipment	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-
Other assets	1.193	17	-	-	-	-	-
Total assets	**38.550.876**	**12.744.629**	**38.492.693**	**91.364.075**	**37.797.130**	**-**	**539.850**
Currency in circulation	-	-	-	-	-	-	-
Due to banks	-	111.973.175	-	-	-	-	-
Other deposits	11.748.585	547.505	826.727	5.495.626	5.919.603	-	-
Due to IMF	9.929	-	348	-	-	-	-
Other borrowed funds	-	-	-	-	-	-	-
Other liabilities	674	5.566	-	-	-	-	809.965
Deferred income tax liability	-	-	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-
Total liabilities and equity	**11.759.188**	**112.526.246**	**827.075**	**5.495.626**	**5.919.603**	**-**	**809.965**
Net liquidity gap	**26.791.688**	**(99.781.617)**	**37.665.618**	**85.868.449**	**31.877.527**	**-**	**(270.115)**

31 December 2011							
					Foreign currency		
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No Maturity
Cash and gold reserves	19.436.544	-	-	-	-	-	-
Due from banks	6.819.697	17.471.893	-	-	-	-	-
Financial assets at fair value through profit or loss	-	5.119.402	13.254.201	69.627.506	36.409.017	194.947	-
Loans and advances to customers	-	359.073	1.684.609	979.690	14.315	1.616	-
Available-for-sale financial assets	-	-	-	-	-	-	534.382
Property and equipment	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-
Other assets	1.341	745	-	4.729	-	-	-
Total assets	**26.257.582**	**22.951.113**	**14.938.810**	**70.611.925**	**36.423.332**	**196.563**	**534.382**
Currency in circulation	-	-	-	-	-	-	-
Due to banks	-	62.513.210	-	-	-	-	-
Other deposits	11.101.365	691.821	1.060.772	7.799.746	8.338.788	-	-
Due to IMF	8.935	-	1.192	-	-	-	-
Other borrowed funds	-	-	-	-	-	-	-
Other liabilities	10.326	1.086	-	-	-	-	982.345
Deferred income tax liability	-	-	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-
Total liabilities and equity	**11.120.626**	**63.206.117**	**1.061.964**	**7.799.746**	**8.338.788**	**-**	**982.345**
Net liquidity gap	**15.136.956**	**(40.255.004)**	**13.876.846**	**62.812.179**	**28.084.544**	**196.563**	**(447.963)**

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

	TL								
FC Total	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No Maturity	TL Total	Total
35.301.273	89.824	-	-	-	-	-	-	89.824	35.391.097
8.137.678	471	23.031.555	-	-	-	-	-	23.032.026	31.169.704
168.698.992	-	1.228.212	792.688	3.405.522	3.033.287	-	-	8.459.709	177.158.701
6.810.250	-	-	-	-	-	-	-	-	6.810.250
539.850	-	-	-	-	-	-	-	-	539.850
-	-	-	-	-	-	-	266.322	266.322	266.322
-	-	-	-	-	-	-	8.018	8.018	8.018
1.210	2.732	8.333	11.044	-	-	-	40.029	62.138	63.348
219.489.253	**93.027**	**24.268.100**	**803.732**	**3.405.522**	**3.033.287**	**-**	**314.369**	**31.918.037**	**251.407.290**
-	-	-	-	-	-	-	60.525.482	60.525.482	60.525.482
111.973.175	32.914	18.883.889	-	-	-	-	-	18.916.803	130.889.978
24.538.046	6.608.007	-	-	-	-	-	-	6.608.007	31.146.053
10.277	-	-	-	-	-	-	-	-	10.277
-	-	1.398.694	-	-	-	-	-	1.398.694	1.398.694
816.205	-	56.379	14.593	-	-	-	22.253	93.225	909.430
-	-	-	-	-	-	-	2.724.309	2.724.309	2.724.309
-	-	-	-	-	-	-	119.290	119.290	119.290
-	-	-	-	-	-	-	23.683.777	23.683.777	23.683.777
137.337.703	**6.640.921**	**20.338.962**	**14.593**	**-**	**-**	**-**	**87.075.111**	**114.069.587**	**251.407.290**
82.151.550	**(6.547.894)**	**3.929.138**	**789.139**	**3.405.522**	**3.033.287**	**-**	**(86.760.742)**	**(82.151.550)**	**-**

	TL								
FC Total	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No Maturity	TL Total	Total
19.436.544	79.451	-	-	-	-	-	-	79.451	19.515.995
24.291.590	89.118	39.593.554	-	-	-	-	-	39.682.672	63.974.262
124.605.073	-	1.191.469	1.271.148	1.790.324	3.563.591	-	-	7.816.532	132.421.605
3.039.303	-	-	-	-	-	-	-	-	3.039.303
534.382	-	-	-	-	-	-	-	-	534.382
-	-	-	-	-	-	-	234.747	234.747	234.747
-	-	-	-	-	-	-	8.174	8.174	8.174
6.815	8.742	6.926	30.321	-	-	-	29.423	75.412	82.227
171.913.707	**177.311**	**40.791.949**	**1.301.469**	**1.790.324**	**3.563.591**	**-**	**272.344**	**47.896.988**	**219.810.695**
-	-	-	-	-	-	-	55.103.174	55.103.174	55.103.174
62.513.210	16.834	28.765.225	-	-	-	-	-	28.782.059	91.295.269
28.992.492	8.391.293	-	-	-	-	-	-	8.391.293	37.383.785
10.127	-	-	-	-	-	-	-	-	10.127
-	-	516.143	-	-	-	-	-	516.143	516.143
993.757	-	43.363	723.002	-	-	-	14.558	780.923	1.774.680
-	-	-	-	-	-	-	3.895.923	3.895.923	3.895.923
-	-	-	-	-	-	-	91.477	91.477	91.477
-	-	-	-	-	-	-	29.740.117	29.740.117	29.740.117
92.509.586	**8.408.127**	**29.324.731**	**723.002**	**-**	**-**	**-**	**88.845.249**	**127.301.109**	**219.810.695**
79.404.121	**(8.230.816)**	**11.467.218**	**578.467**	**1.790.324**	**3.563.591**	**-**	**(88.572.905)**	**(79.404.121)**	**-**

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

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

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

	31 December 2011							
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No maturity	Total
Currency in circulation	-	-	-	-	-	-	55.103.174	55.103.174
Due to banks	16.834	91.278.435	-	-	-	-	-	91.295.269
Other deposits	19.492.658	692.394	1.064.589	7.906.735	8.559.438	-	-	37.715.814
Due to IMF	8.935	-	1.192	-	-	-	-	10.127
Other borrowed funds	-	516.212	-	-	-	-	-	516.212
Total financial liabilities	**19.518.427**	**92.487.041**	**1.065.781**	**7.906.735**	**8.559.438**	**-**	**55.103.174**	**184.640.596**

(g) Operational risk

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

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

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

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

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

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

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

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

(h) Fair value of financial instruments

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

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

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

	Carrying value		Fair value	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Financial assets				
Cash and gold reserves	35.391.097	19.515.995	35.391.097	19.515.995
Due from banks	31.169.704	63.974.262	31.218.039	63.927.337
Loans and advances to customers	6.810.250	3.039.303	6.811.684	3.039.015
Financial liabilities				
Currency in circulation	60.525.482	55.103.174	60.525.482	55.103.174
Due to banks	130.889.978	91.295.269	130.889.978	91.295.269
Other deposits	31.146.053	37.383.785	30.920.581	36.957.435
Other borrowed funds	1.398.694	516.143	1.398.694	516.143

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

(i) Financial assets

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

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

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

(ii) Financial liabilities

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

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

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

The following table summarizes the fair values of those financial assets presented on the Bank's balance sheet based on the hierarchy of valuation technique as of 31 December 2012 and 2011.

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

(*) Financial assets and liabilities are carried at quoted prices in an active market which are used for similar financial assets and liabilities.
(**) Other than quoted prices specified in Level I, financial assets and liabilities are carried at inputs used to determine direct or indirect observable market prices.
(***) Financial assets and liabilities are carried at inputs which are used in determining fair value of financial assets and liabilities but not based on any observable market data.

31 December 2011	Level 1 (*)	Level 2 (**)	Level 3 (***)	Total
Financial assets at fair value				
Financial assets held for trading				
- Debt securities	132.421.605	-	-	132.421.605
Available-for-sale financial assets				
- Equity securities	-	-	534.382	534.382
Total assets	**132.421.605**	**-**	**534.382**	**132.955.987**

(*) Financial assets and liabilities are carried at quoted prices in an active market which are used for similar financial assets and liabilities.
(**) Other than quoted prices specified in Level I, financial assets and liabilities are carried at inputs used to determine direct or indirect observable market prices.
(***) Financial assets and liabilities are carried at inputs which are used in determining fair value of financial assets and liabilities but not based on any observable market data.

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

(i) Capital management

The Bank's shareholders' equity as at 31 December 2012 and 2011 comprises:

	31 December 2012	31 December 2011
Paid-in capital	47.464	47.464
Retained earnings	23.151.282	29.212.680
Other reserves	485.031	479.973
Total equity	**23.683.777**	**29.740.117**

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

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

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

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

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

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

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

(a) Impairment losses on loans and advances

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

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

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

The equity investment classified for accounting purposes as available for sale, which is held by the Bank for the long term as part of its central banking activities is valued at fair value, which is calculated as being 70% of the Bank's interest in the net asset value of the equity investment. This valuation method has previously been used to establish the appropriate price for purchase and repurchase transactions in the equity investment (Note 10).

NOTE 6 - CASH AND GOLD RESERVES

	31 December 2012	31 December 2011
Gold bullion - International standards	34.297.820	18.677.555
Cash in hand	790.220	534.583
Gold bullion and coins - Non-international standards	303.057	303.857
Total	**35.391.097**	**19.515.995**

Gold coins and bullion in the amount of TL 32.957 thousand (31 December 2011: TL 33.043 thousand) are kept in the Bank's vaults on behalf of the Turkish Treasury. Additionally, Gold bullion - International standards include TL 23.225.356 thousand (31 December 2011: TL 7.575.877 thousand) worth of gold kept by the Bank which belongs to the banks those deposited gold in order to meet their reserve requirement.

NOTE 7 - DUE FROM BANKS

	31 December 2012	31 December 2011
Funds lent under securities purchased under agreements to resell	23.031.555	39.593.554
Time deposits	4.889.268	17.471.893
Demand deposits	3.248.881	6.908.815
Total	**31.169.704**	**63.974.262**

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

NOTE 8 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2012		31 December 2011	
	Cost	Carrying Value	Cost	Carrying Value
Turkish government bonds and treasury bills	8.220.041	8.459.709	7.730.721	7.816.532
Foreign government bonds and treasury bills	161.350.844	161.650.682	116.350.547	117.081.357
Corporate bonds of supranational institutions (*)	6.911.101	7.048.310	7.450.722	7.523.716
Total	**176.481.986**	**177.158.701**	**131.531.990**	**132.421.605**

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

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS

	31 December 2012	31 December 2011
Loans to corporate entities:		
Foreign country loans	13.539	20.646
Domestic loans	6.796.711	3.018.657
Total performing loans	**6.810.250**	**3.039.303**
Impaired loans and advances	2.728.840	2.885.238
Gross loans and advances to customers	**9.539.090**	**5.924.541**
Less: Allowance for loan losses	(2.728.840)	(2.885.238)
Net loans and advances to customers	**6.810.250**	**3.039.303**

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

Movement in the allowance for loan losses is as follows:

	31 December 2012	31 December 2011
Balance at 1 January	2.885.238	2.356.022
Charge/(releases) for the year (*)	(156.398)	529.216
Balance at 31 December	**2.728.840**	**2.885.238**

(*) Represents the foreign exchange valuation on the impaired loans and advances.

As of 31 December 2012, the restructured loans and advances of the Bank amounted to TL 10.332 thousand (31 December 2011: TL 16.276 thousand). In accordance with the restructuring agreement of the Bank regarding the above mentioned restructured loans, the Bank forwent TL 8.401 thousand (US$ 4.712.512) (31 December 2011: TL 8.901 thousand (US$ 4.712.512)) of its interest receivable which will accrue again if the counterparty fails to meet the conditions stated in the restructuring agreement. As of 31 December 2012 and 2011, the Bank provided allowance for such contingent interest receivable.

NOTE 10 - AVAILABLE-FOR-SALE FINANCIAL ASSETS

The details of available-for-sale-securities as of 31 December 2012 and 2011 are as follows:

		Ownership (%)		Amount	
Name	Nature of business	31 December 2012	31 December 2011	31 December 2012	31 December 2011
BIS	Banking Supervision	1,43	1,43	521.962	515.428
International Islamic Liquidity Management Corporation	Liquidity Management	13,33	13,33	17.826	18.889
SWIFT	Electronic Fund Transfer Services	0,007	0,007	62	65
Total				**539.850**	**534.382**

The shares of BIS have a par value of SDR 5.000 each and are paid up to SDR 1.250 each. The balance of SDR 3.750 per share is callable at three months' notice by the decision of the BIS Board and the total amount of commitment is disclosed under contingencies and commitments as of 31 December 2012 and 2011 (Note 27).

As of 31 December 2012 and 2011, the Bank's investment in shares issued by the BIS is valued at fair value, which is calculated as being 70% of the Bank's interest in BIS's net asset value in SDR, as of 31 December 2012 and 2011, converted to TL at the year-end TL/SDR exchange rate. This valuation method has previously been used to establish the appropriate price for purchase and repurchase transactions in BIS share.

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

	31 December 2012	31 December 2011
Opening balance	**534.382**	**418.052**
Purchases	-	-
Fair value changes	5.468	116.330
Closing balance	**539.850**	**534.382**

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

NOTE 11 - PROPERTY AND EQUIPMENT

	Land and buildings	Equipment and vehicles	Construction in progress	Total
At 31 December 2010				
Cost	340.299	68.564	9.289	418.152
Accumulated depreciation	(136.735)	(41.923)	-	(178.658)
Net book value	**203.564**	**26.641**	**9.289**	**239.494**
Year ended as of 31 December 2011				
Opening net book value	203.564	26.641	9.289	239.494
Additions	4.930	10.150	7.453	22.533
Transfers	9.193	-	(9.193)	-
Disposals (net)	(12.292)	(147)	-	(12.439)
Depreciation charge (Note 26)	(6.078)	(8.763)	-	(14.841)
Closing net book value	**199.317**	**27.881**	**7.549**	**234.747**
At 31 December 2011				
Cost	328.412	66.927	7.549	402.888
Accumulated depreciation	(129.095)	(39.046)	-	(168.141)
Net book value	**199.317**	**27.881**	**7.549**	**234.747**
Year ended as of 31 December 2012				
Opening net book value	199.317	27.881	7.549	234.747
Additions	16.087	33.746	-	49.833
Transfers	3.738	-	(3.738)	-
Disposals (net) (*)	(1.331)	(52)	-	(1.383)
Depreciation charge (Note 26)	(6.526)	(10.349)	-	(16.875)
Closing net book value	**211.285**	**51.226**	**3.811**	**266.322**
At 31 December 2012				
Cost	345.429	98.667	3.811	447.907
Accumulated depreciation	(134.144)	(47.441)	-	(181.585)
Net book value	**211.285**	**51.226**	**3.811**	**266.322**

(*) In the year 2012 the Bank granted property and equipment with net book value of TL 1.300 thousand and disposed of property and equipment with net book value of TL 83 for cash proceeds of TL 596 thousand.

NOTE 12 - INTANGIBLE ASSETS

	Cost	Accumulated amortisation	Net book value
Opening balance at 1 January 2011	13.191	(7.661)	5.530
Additions/(amortization charge for the period)	3.633	(960)	2.673
Disposals	(2.835)	2.806	(29)
Balance at 31 December 2011	**13.989**	**(5.815)**	**8.174**
Opening balance at 1 January 2012	13.988	(5.814)	8.174
Additions/(amortization charge for the period)	1.148	(1.302)	(154)
Disposals	(81)	79	(2)
Balance at 31 December 2012	**15.055**	**(7.037)**	**8.018**

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

NOTE 13 - OTHER ASSETS

	31 December 2012	31 December 2011
Raw material and work-in-progress	26.511	30.321
Charges and commissions due from Treasury (*)	11.044	22.011
Electronic Fund Transfer ("EFT") commission income accrual	8.317	6.851
Prepaid expenses	849	799
Dividend income accrual	-	4.729
Other	16.627	17.516
Total	**63.348**	**82.227**

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

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

NOTE 14 - CURRENCY IN CIRCULATION

	2012	2011
Balance at 1 January	**55.103.174**	**48.937.560**
Banknotes issued into circulation	30.700.615	26.769.916
Banknotes withdrawn from circulation and destroyed	(25.278.307)	(20.599.409)
Demonetized banknotes	-	(4.893)
Balance at 31 December	**60.525.482**	**55.103.174**

NOTE 15 - DUE TO BANKS

	31 December 2012	31 December 2011
Deposits for reserve requirement obligations	119.100.684	79.398.446
Current accounts of banks	9.508.365	10.968.110
Funds borrowed under securities sold under repurchase agreements	2.261.310	-
Deposits of banks for foreign currency deposit market	19.619	928.713
Total	**130.889.978**	**91.295.269**

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

NOTE 16 - OTHER DEPOSITS

	31 December 2012	31 December 2011
Deposits by citizens abroad	12.819.726	17.923.515
Deposits of Turkish Treasury	16.391.165	18.284.265
Deposits of state owned funds	1.867.363	1.088.779
Deposits of state owned entities	67.799	87.226
Total	**31.146.053**	**37.383.785**

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

Deposits by citizens abroad are time deposits with maturities varying from one to three years; other deposits; including deposit of Turkish Treasury; held by government related institutions are interest-free deposits except for the demand deposits amounting to TL 13.501.393 thousand (31 December 2011: TL 10.430.619 thousand).

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

	31 December 2012		31 December 2011	
	Interest rate (%)	TL	Interest rate (%)	TL
EUR	0,25-1,00	12.213.081	0,25-3,25	17.031.890
US$	0,25-1,00	519.436	0,25-2,75	794.374
CHF	0,25-1,00	82.188	0,25-0,50	91.695
GBP	0,25-1,00	5.021	0,25-1,00	5.556
Total		**12.819.726**		**17.923.515**

NOTE 17 - DUE TO IMF

Due to IMF is denominated in SDR. Due to IMF includes borrowings related to Turkey's IMF quota for the year ending 31 December 2012 and 2011. As of 31 December 2012 and 2011, borrowings related to Turkey's IMF quota are non-interest bearing with no stated maturity.

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

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

NOTE 18 - OTHER BORROWED FUNDS

	31 December 2012	31 December 2011
Funds borrowed from interbank money market	1.398.694	516.143
Total	**1.398.694**	**516.143**

NOTE 19 - OTHER LIABILITIES

	31 December 2012	31 December 2011
Import transfer orders	776.883	945.855
Taxes and withholdings payable	59.921	43.636
Expense accruals	7.705	7.083
Blocked accounts for pending court cases	3.453	4.246
Non-guaranteed commercial debts	-	16.826
Other	46.875	34.032
Total	**894.837**	**1.051.678**

NOTE 20 - TAXATION

	31 December 2012	31 December 2011
Corporate taxes payable	743.353	1.448.474
Prepaid taxes	(728.760)	(725.472)
Income tax liability- net	**14.593**	**723.002**

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

Corporate Tax

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

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

The effective tax rate in 2012 is 20% (2011: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2012 is 20%. (2011: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

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

As of 31 December 2012 and 2011, income taxes are summarized as follows;

	31 December 2012	31 December 2011
- Corporate tax	743.353	1.448.474
- Deferred tax	(1.172.024)	2.452.591
Taxation charge/(benefit)	**(428.671)**	**3.901.065**

Deferred taxes

The Bank recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

For calculation of deferred tax asset and liabilities, the rate of 20% (2011: 20%) is used.

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

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

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Retirement benefit obligations	119.290	91.477	23.858	18.295
Net differences between carrying value and tax base of property and equipment	29.982	35.237	5.996	7.047
Other	9.923	10.483	1.985	2.097
Total Assets	**159.195**	**137.197**	**31.839**	**27.439**
Transfer of valuation account to income statement (*)	(13.655.427)	(19.489.213)	(2.731.085)	(3.897.843)
Fair value differences of financial assets	(494.426)	(486.208)	(24.721)	(24.310)
Difference in the calculated interest accrual of deposits using effective interest rate method	(1.710)	(6.044)	(342)	(1.209)
Total Liabilities	**(14.151.563)**	**(19.981.465)**	**(2.756.148)**	**(3.923.362)**
Net Liability	**(13.992.368)**	**(19.844.268)**	**(2.724.309)**	**(3.895.923)**

(*) In accordance with the 61st article of the Central Bank Law amended with the Law No:6009 on 23 July 2010, in the event of a change in the value of the Turkish currency against the foreign currencies and a change in the gold prices in the international markets, the unrealized gains and losses arising from the revaluation of gold, foreign currency and other assets and liabilities of the Bank those are originated in foreign currencies are classified into "Valuation Account" which is a transitory account on the balance sheet. The Valuation Account is not taken into account as income and expense in the determination of corporate tax base. Realized foreign exchange differences originated from foreign currency sales and purchase transactions are reflected to the income statement at the date of transaction.

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

	31 December 2012	31 December 2011
Balance at 1 January	**3.895.923**	**1.437.952**
Deferred income tax charge to income statement, net	(1.172.024)	2.452.591
Deferred income tax charge to equity	410	5.380
Balance at 31 December	**2.724.309**	**3.895.923**

The reconciliation for taxation charge is stated below:

	2012	2011
Profit/(loss) before income taxes	**(728.696)**	**22.283.020**
Tax charge calculated at a tax rate of 20%	(145.739)	4.456.604
Income exempt from taxation	(295.638)	(566.173)
Non-deductible expenses	12.706	10.634
Income tax charge/(benefit)	**(428.671)**	**3.901.065**

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

NOTE 21 - RETIREMENT BENEFIT OBLIGATIONS

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

The amount payable consists of one month's salary limited to a maximum of TL 3.033,98 (2011: TL 2.731,85) for each year of service.

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

	31 December 2012	31 December 2011
Discount rate (%)	2,37	4,66
Rate to estimate the probability of retirement (%)	99	99

Additionally, the principal actuarial assumption is that the maximum liability of TL 3.033,98 for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 3.129,24 effective from 1 January 2013 (1 January 2012: TL 2.805,04), has been taken into consideration in calculating the reserve for the retirement benefit obligation of the Bank.

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

	2012	2011
At 1 January	**91.477**	**82.084**
Current year charge	31.745	11.851
Paid during the year	(3.932)	(2.458)
Balance at 31 December	**119.290**	**91.477**

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

NOTE 22 - NET INTEREST INCOME

	2012	2011
Interest income:		
Interest income from financial assets at fair value through profit or loss	2.404.666	2.110.871
Interest income from securities purchased under agreements to resell	3.018.789	2.934.037
Interest income from loans and advances to customers	39.188	12.853
Interest income from due from banks	21.596	34.872
Total	**5.484.239**	**5.092.633**
Interest expense:		
Interest expense on due to Treasury (*)	346.550	116.883
Interest expense on securities sold under agreements to repurchase	323.387	23
Interest expense on other deposits	195.156	505.817
Amortization losses on financial assets at fair value through profit or loss	121.124	-
Interest expense on other borrowed funds	21.714	3.037
Interest expense on due to banks	4.085	1.035
Interest expense on due to IMF	2.818	11.604
Total	**1.014.834**	**638.399**
Net interest income	**4.469.405**	**4.454.234**

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

NOTE 23 - NET FEE AND COMMISSION INCOME

	2012	2011
Fee and commission income:		
EFT commission income	132.157	89.111
Commissions due from Treasury (*)	110.851	29.010
Open market operations	14.573	4.320
Other fund transfer fees	737	654
Other	7.258	6.293
Total	**265.576**	**129.388**
Fee and commission expense:		
Correspondent bank accounts	4.669	4.209
Other	9.006	9.138
Total	**13.675**	**13.347**
Net fee and commission income	**251.901**	**116.041**

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

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

NOTE 24 - DIVIDEND INCOME

	2012	2011
Available-for-sale securities	1.583	1.446
Total	**1.583**	**1.446**

NOTE 25 - FOREIGN EXCHANGE GAINS / (LOSSES), NET

	2012	2011
Foreign exchange gains/(losses), net		
- translation gains/(losses), net	(5.831.037)	12.234.636
- transaction gains, net	1.961.888	7.079.543
Total	**(3.869.149)**	**19.314.179**

As of 31 December 2012 and 2011, translation gains/(losses) include the unrealized foreign exchange gains/(losses) and the unrealized gains on gold reserves. In the statutory financial statements of the Bank, the unrealized foreign exchange gains/(losses) and unrealized gains on gold reserves are excluded from the statutory net profit and corporate tax base and monitored in a temporary account on the balance sheet, namely "Valuation Account", in accordance with the Central Bank Law in Turkey.

NOTE 26 - OTHER OPERATING EXPENSES

	2012	2011
Wages and salaries	514.388	455.220
Administrative expenses	127.085	125.704
Social security costs	62.998	39.855
Depreciation and amortization (Notes 11 and 12)	18.177	15.801
Other	2.635	15.244
Total	**725.283**	**651.824**

The average number of personnel employed by the Bank during the year 2012 was 4.502 (2011: 4.397).

NOTE 27 - COMMITMENTS AND CONTINGENT LIABILITIES

	31 December 2012	31 December 2011
Guarantees received	24.386.573	33.520.705
Uncalled BIS shares (Note 10)	82.608	87.660
Total	**24.469.181**	**33.608.365**

As of 31 December 2012, there are a number of legal proceedings outstanding against the Bank amounting to TL 4.010 thousand, US$ 64.741.281 and EUR 496.939 (31 December 2011: TL 57.230 thousand, US$ 64.214.366 and EUR 162.810). No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise in relation with above mentioned legal proceedings.

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

NOTE 28 - SHARE CAPITAL

The shareholder structure of the Bank as at 31 December 2012 and 2011 is as follows:

	31 December 2012		31 December 2011	
	TL	Share %	TL	Share %
Turkish Treasury	14	55	14	55
T.C. Ziraat Bankası A.Ş.	5	19	5	19
T.C.M.B Mensupları Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı	1	5	1	5
Türkiye Garanti Bankası A.Ş.	1	3	1	3
Türkiye İş Bankası A.Ş.	1	2	1	2
Others	3	16	3	16
Paid-in capital	**25**	**100**	**25**	**100**
Inflation adjustment on paid-in capital	**47.439**		**47.439**	
Total paid-in capital	**47.464**		**47.464**	

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

NOTE 29 - RETAINED EARNINGS AND LEGAL RESERVES

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

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

i) 20% to the reserve fund,

ii) 6% over the nominal value of the equity shares to the shareholders as an initial dividend,

iii) After deducting the above-stated percentages a maximum of 5% of the remaining amount; so as not to exceed two months salaries; to the Bank personnel and 10% percent to the extraordinary reserves,

iv) Subject to the decision of the General Assembly a maximum of 6% over the nominal value of the equity shares to the shareholders as the secondary dividend.

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

The Central Bank of the Republic of Turkey

Notes to the Financial Statements as of 31 December 2012

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

NOTE 30 - CASH AND CASH EQUIVALENTS

	31 December 2012	31 December 2011
Cash and gold reserves	35.391.097	19.515.995
Due from banks (excluding accrued interest)	31.137.617	63.941.159
Total	**66.528.714**	**83.457.154**

NOTE 31 - RELATED PARTY BALANCES AND TRANSACTIONS

The accompanying financial statements include the following related party balances and transactions.

(i) Balances with related parties

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

	31 December 2012	31 December 2011
Assets:		
Financial assets at fair value through profit or loss [1]	8.459.709	7.816.532
Due from banks [2]	16.793.241	28.888.360
Liabilities:		
Due to banks [3]	74.801.268	54.353.054
Other deposits [4]	18.326.327	19.460.270

[1] Includes government bonds issued by Turkish Treasury.
[2] Includes receivables from shareholders as part of securities purchased under agreements to resell and interbank foreign currency transactions.
[3] Includes required reserve deposits of shareholders.
[4] Includes deposits of state controlled entities and Turkish Treasury.

The Central Bank of the Republic of Turkey
Notes to the Financial Statements as of 31 December 2012
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

(ii) Transactions with related parties

	2012	2011
Salaries and other short-term benefits to key management	4.424	3.935
Interest income (1)	818.197	633.387
Interest expense (2)	346.550	116.883
Fee and commission income (3)	168.922	78.569
Dividends paid to shareholders	5.752.588	857.143
Dividends paid to employees	8.785	8.127

(1) Includes interest income of government bonds issued by Turkish Treasury.
(2) Includes interest expense paid on deposits of shareholders.
(3) Includes Electronic Fund Transfer commissions from shareholders of the Bank and commission and charges due from Treasury and state controlled entities.

NOTE 32 - SUBSEQUENT EVENTS

None.