

Annual Report  
2013



TÜRKİYE CUMHURİYET  
MERKEZ BANKASI

# CBRT Activities 2013

## Monetary and Exchange Rate Policy

## Cultural Activities

## Institutional

## Training- Conference

## Other

**22 January 2013**

The MPC meeting was held. The one-week repo rate (the policy rate) was kept at 5.5 percent. The overnight borrowing rate was cut from 5 percent to 4.75 while the lending rate was cut from 9 percent to 8.75 percent.

**29 January 2013**

The Inflation Report 2013-I was presented at a press conference.

**31 January 2013**

The content of Weekly Press Bulletin was revised and the title of the publication was changed to Weekly Money and Banking Statistics.

**1 February 2013**

Turkish lira and FX reserve requirement ratios were raised for certain maturities.

**15 February 2013**  
ROCs were revised.

**19 February 2013**

The MPC meeting was held. The one-week repo rate (the policy rate) was kept at 5.5 percent. The overnight borrowing rate was cut from 4.75 percent to 4.5 while the lending rate was cut from 8.75 percent to 8.5 percent.

**1 March 2013**

Turkish lira and FX reserve requirement ratios were raised for certain maturities.

**18 March 2013**

The exhibition, Contemporary Turkish Painting and Printmaking in the Republican Era, featuring works from the CBRT Art Collection was opened in Künstlerhaus, Vienna-Austria.

The maximum contractual and overdue interest rates to be applied to credit card transactions were revised.

**22 March 2013**

A Memorandum of Understanding was signed between the CBRT and the Deutsche Bundesbank.

**26 March 2013**

The MPC meeting was held. The one-week repo rate (the policy rate) was kept at 5.5 percent; the overnight borrowing rate was kept at 4.5 percent and the lending rate was cut from 8.5 percent to 7.5 percent.

**29 March 2013**

ROCs were revised.

**3 April 2013**

Governor Erdem Başçı delivered a conference presentation on Monetary Policies in Mardin.

**8 April 2013**

E-9 Emission Group II, series TL 200, TL 50 and TL 5 banknotes were put into circulation.

**9 April 2013**

The 81st Ordinary Meeting of the General Assembly was held.

**14-24 April 2013**

To increase savings awareness and encourage the use of Kurus, the CBRT participated in several activities held within the framework of the Children's Land Project.

**16 April 2013**

The MPC meeting was held. The one-week repo rate (the policy rate) was cut from 5.5 percent to 5 percent; the borrowing and lending rates were cut from 4.5 to 4 percent and from 7.5 percent to 7 percent, respectively.

**26 April 2013**

ROCs were revised.

**30 April 2013**

The Istanbul School of Central Banking was opened.

The Inflation Report 2013-II was presented at a press conference.

**7-8 May 2013**

An international conference titled Global Finance in Transition was held.

**16 May 2013**

The MPC meeting was held. The one-week repo rate (the policy rate) was cut from 5 percent to 4.5 percent; the borrowing and lending rates were cut from 4 to 3.5 percent and from 7 percent to 6.5 percent, respectively.

**21-24 May 2013**

The European Summer Symposium in International Macroeconomics was held in cooperation with the Centre for Economic Policy Research.

**24 May 2013**

FX reserve requirement ratios and ROCs were revised.

**25 May 2013**

The CBRT took regulatory action which stipulated that the interest rates charged on overdraft accounts may not exceed the monthly maximum contractual and overdue interest rates.

**30 May 2013**

The exhibition, Times and Places, Istanbul, featuring works from the CBRT Art Collection was opened in Tirana, Albania.

The Financial Stability Report 2013-I was published.

**11 June 2013**

The CBRT decided to implement short-term additional monetary tightening on days deemed necessary to offset the likely adverse effects of the excessive volatility in the FX market on price stability and financial stability.

Guidelines for intraday foreign exchange selling auctions were released.

**12 June 2013**

Governor Erdem Başçı delivered a conference presentation on Monetary Policies in Giresun.

**13 June 2013**

The CBRT determined the maximum contractual and overdue interest rates to be applied to credit card transactions.

**18 June 2013**

The MPC meeting was held. The Committee kept the one-week repo rate (the policy rate), the overnight borrowing rate and the lending rate constant at 4.5 percent, 3.5 percent and 6.5 percent, respectively.

**20 June 2013**

Implementations pertaining to foreign exchange selling auctions were revised.

**21 June 2013**

Rediscount and Advance Rates were revised as 9.5 percent and 11 percent, respectively, and became effective after being published in the Official Gazette.

**27 June 2013**

The Law No. 6493 on Payments and Securities Settlement Systems, Payment Services and Electronic Money Institutions entered into force after being published in the Official Gazette.

**28 June 2013**

All records kept in the Risk Center of the CBRT were transferred to the Risk Center of the Banks Association of Turkey.

**2 July 2013**  
Implementations pertaining to foreign exchange selling auctions were revised.

**12 July 2013**  
The third generation of the EFT System, that is the Interbank Payments System (TIC-RTGS III) and the second generation of the Electronic Securities Transfer and Settlement System (TIC-ESTS II) were introduced.

**15 July 2013**  
The Survey of Expectations began to be published in revised form, enriched with answers to newly added questions.

**23 July 2013**  
The MPC meeting was held. The Committee kept the one-week repo rate (the policy rate) and the borrowing rate constant at 4.5 percent and 3.5 percent, respectively, whereas it increased the overnight lending rate to 7.25 percent from 6.5 percent.

**24 July 2013**  
Money and foreign exchange markets liquidity management implementations were revised.

**30 July 2013**  
The Inflation Report 2013-III was presented at a press conference.

**1 August 2013**  
The intraday foreign exchange selling auction time was changed to 16:30 hours.

**3 August 2013**  
The CBRT determined the monthly maximum contractual and overdue interest rates to be applied to corporate credit card transactions.

**19 August 2013**  
The CBRT Regulation on Rediscount and Advances was amended to ease the collateral conditions of export rediscount credits.

**20 August 2013**  
The MPC meeting was held. The one-week repo rate (the policy rate) and the overnight borrowing rate were kept constant at 4.5 percent and 3.5 percent, respectively, whereas the lending rate was raised to 7.75 percent from 7.25 percent.

**21 August 2013**  
A Memorandum of Understanding was signed between the CBRT and Banca d'Italia.

**21-22 August 2013**  
Money and foreign exchange markets liquidity management implementations were revised in line with the strategy set at the MPC meeting.

**4 September 2013**  
The exhibition, Aesthetic Attitude and Creative Thinking in Contemporary Turkish Painting, featuring works from the CBRT Art Collection was opened in Kazan, Tatarstan, at the Khazine National Art Gallery, the State Museum of Fine Arts.

**5-6 September 2013**  
"Fourth OMFIF Main Meeting in Europe: The Role of Emerging Market Economies in Building World Prosperity" was held in cooperation with the Official Monetary and Financial Institutions Forum.

**14 September 2013**  
The maximum contractual and overdue interest rates to be applied to credit card transactions were revised.

**17 September 2013**  
The MPC meeting was held. The one-week repo rate (the policy rate) was kept unchanged at 4.5 percent and the overnight borrowing and lending rates at 3.5 percent and 7.75 percent, respectively.

**20 September 2013**  
The foreign exchange selling auction amount was changed to minimum USD 20 million.

**24 September 2013**  
Governor Erdem Başçı delivered a conference presentation on Monetary Policies in Denizli.

**1 October 2013**  
The exhibition, Ottoman Sultans in the Art of Ebru, featuring works from the CBRT Art Collection was held in Ankara, at the CBRT Art Gallery.

**4 October 2013**  
Financing companies have also been included in the reserve requirements coverage.

**8 October 2013**  
Regulations on gradually terminating the practice of holding foreign exchange deposit accounts by citizens abroad starting from 2014 were published in the Official Gazette.

**11 October 2013**  
A Memorandum of Understanding was signed between the Central Bank of Turkey and Da Afghanistan Bank.

**11-31 October 2013**  
The exhibition, Aesthetic Attitude and Creative Thinking in Contemporary Turkish Painting, featuring works from the CBRT Art Collection was held in Ufa, Russia, at the National Museum of the Republic of Bashkortostan.

**23 October 2013**  
The MPC meeting was held. The one-week repo rate (the policy rate) was kept unchanged at 4.5 percent and the overnight borrowing and lending rates at 3.5 percent and 7.75 percent, respectively.

**31 October 2013**  
The Inflation Report 2013-IV was presented at a press conference.

**4 November 2013**  
Payment Systems Department was established.

**7 November 2013**  
A decision was made for the financing companies to open two-day notice deposit accounts in US dollars and euros at the CBRT.

**19 November 2013**  
The MPC meeting was held. The one-week repo rate was kept unchanged at 4.5 percent and the overnight borrowing and lending rates at 3.5 percent and 7.75 percent, respectively. The one-month repo auctions were terminated.

**28 November 2013**  
The Financial Stability Report 2013-II was published.

**11 December 2013**  
Governor Erdem Başçı delivered a conference presentation on Monetary Policies in Gaziantep.

The foreign exchange selling auction amount was increased to minimum USD 50 million.

**17 December 2013**  
The MPC meeting was held. The one-week repo rate was kept unchanged at 4.5 percent and the overnight borrowing and lending rates at 3.5 percent and 7.75 percent, respectively.

**20 December 2013**  
The CBRT announced that, on days of excessive volatility in exchange rates, the amount of daily foreign exchange selling auctions held at 16:30 hours might be as high as ten times the announced minimum amount.

**24 December 2013**  
The Monetary and Exchange Rate Policy for 2014 was presented at a press conference.

Reserve requirements calculation and coverage, and also the ROCs were revised, effective as of 17 January 2014.

The daily minimum foreign exchange selling auction amount was set as USD 450 million for the rest of December 2013 and as USD 100 million for January 2014. Thereby, a minimum of USD 6 billion was planned to be sold by the end of January 2014.

**27 December 2013**  
Rediscount and Advance Rates were revised as 10.25 percent and 11.75 percent, respectively, and became effective after being published in the Official Gazette.



# Central Bank of the Republic of Turkey

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2014

## Annual Report 2013

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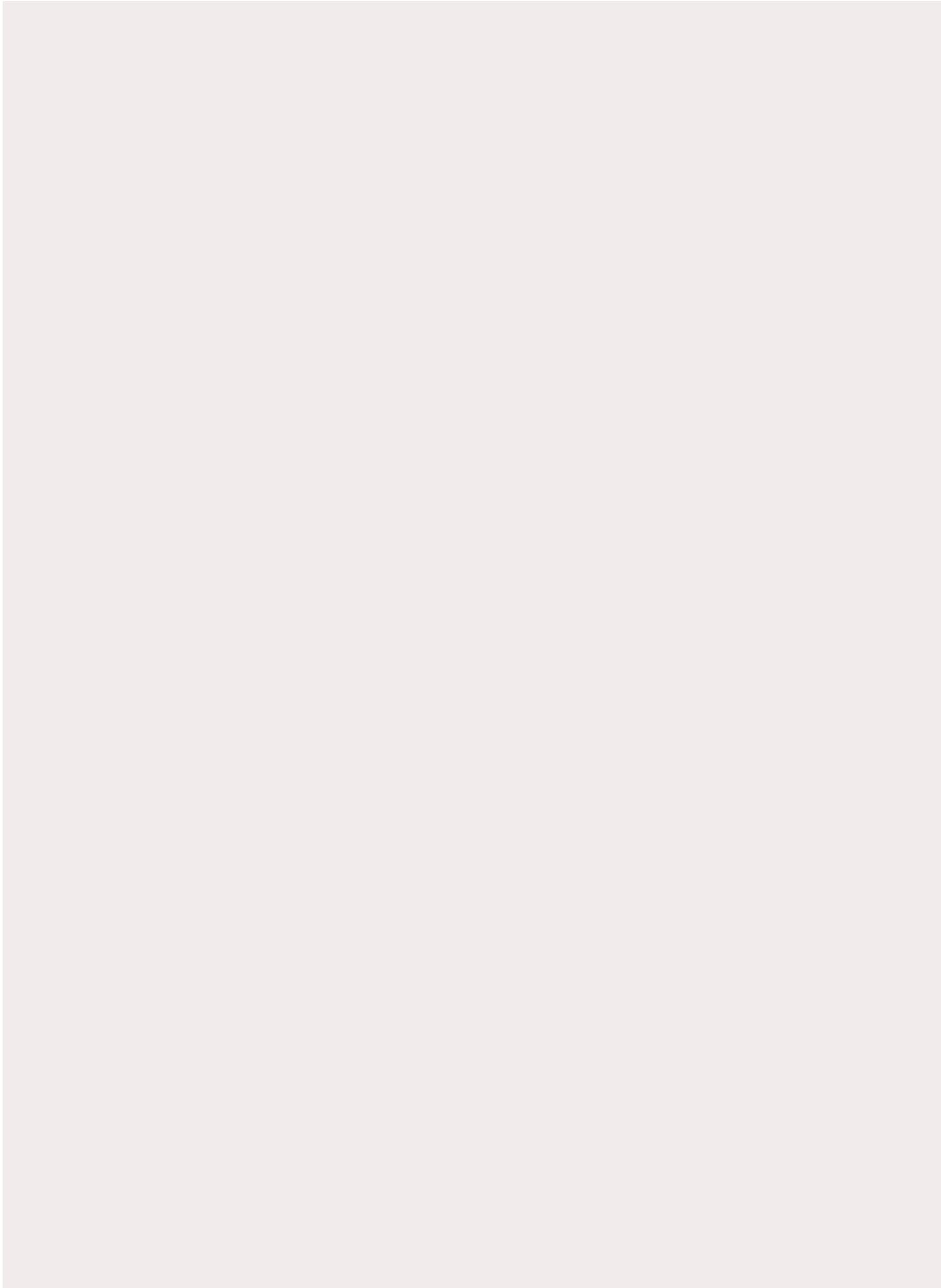
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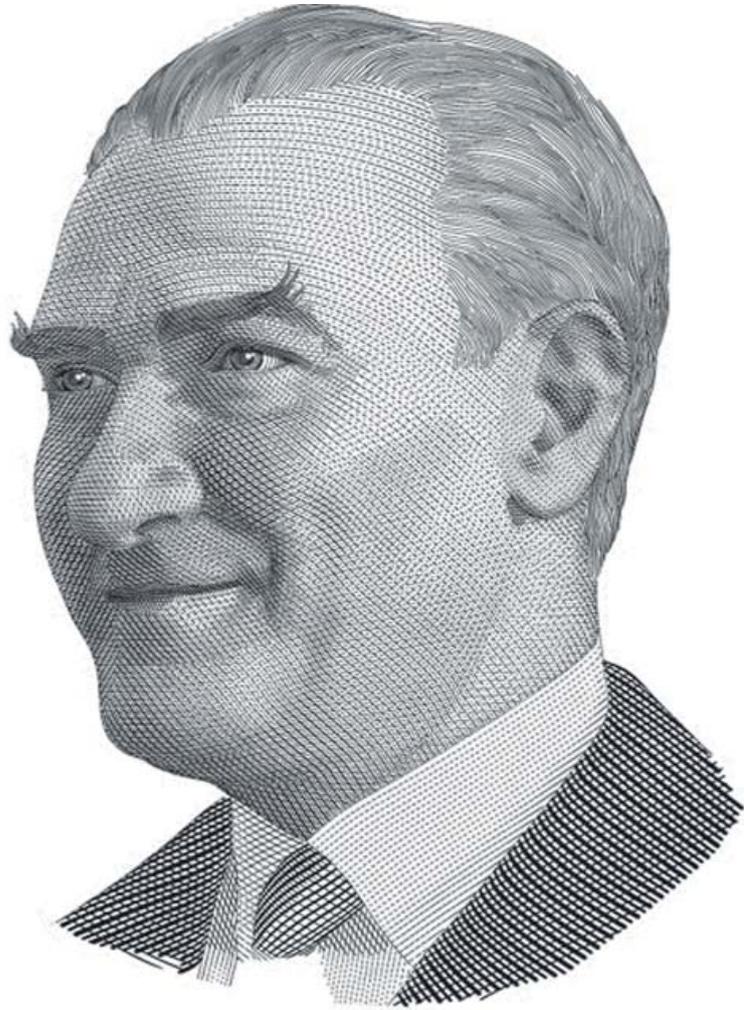
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Portrait, E-9 Emission Group  
Depicted on the front of 20 TL and 50 TL denominations in Series 1

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## Abbreviations

AMT	Additional Monetary Tightening
BAT	The Banks Association of Turkey
BIS	Bank of International Settlements
BIST	Borsa İstanbul
BRSA	Banking Regulation and Supervision Agency
CBRT	Central Bank of the Republic of Turkey
CPI	Consumer Price Index
ECB	European Central Bank
EU	European Union
Fed	Federal Reserve, The Central Bank of the United States
FX	Foreign Exchange
FXRIC	Foreign Exchange Risk and Investment Committee
GDP	Gross Domestic Product
ICH	Interbank Clearing Houses Center
IILM	International Liquidity Management Corporation
İMB	Istanbul School of Central Banking
IMF	International Monetary Fund
MoU	Memorandum of Understanding
MPC	Monetary Policy Committee
PIS	Participant Interface System
ROC	Reserve Option Coefficients
ROM	Reserve Options Mechanism
SDR	Special Drawing Rights
SECRIK	Statistical Economic and Social Research and Training Center for Islamic Countries
TL	Turkish Lira
TURKSTAT	Turkish Statistical Institute
US	United States
USD	US Dollar

## Foreword



A handwritten signature in black ink, which appears to be the name 'Erdem Başçı'.

Dr. Erdem Başçı  
Governor

In the face of increased uncertainty regarding the global monetary policies, the CBRT has adopted a cautious monetary policy stance in consideration of inflation and macro financial risks.

In 2013, the global economic activity remained weak and uncertainties regarding the global monetary policies intensified. The recovery trend in the United States (US) economy has not been on a stable track yet. Moreover, financial fluctuations and budget discussions have caused tightening in the financial conditions, posing unfavorable risks to recovery. In spite of the positive signals in the Eurozone economies, the economic outlook is still weak due to high unemployment rates, the ongoing debt-reduction process and problems in the credit transmission mechanism.

Uncertainties over the global monetary policies linger, as these policies are molded by high-frequency and highly volatile data and developments. The same uncertainties have led to a re-pricing in all financial assets, including the exchange rates, and the share of emerging economies in global portfolio investments has dropped.

In the second half of 2013, there were capital outflows in portfolio items and re-pricing in financial assets in Turkey as well, although sectors did not have any problems in their external borrowings. Against these developments, the monetary policy assumed a cautious stance both to contain the deterioration in the inflation outlook and contribute to financial stability. In addition, the predictability of the monetary policy was increased to mitigate the impacts of global uncertainties on the Turkish economy.

The global financial crisis, which has affected the world since the last quarter of 2008, has urged central banks to implement novel policies. During this period, the conventional policies at hand have fallen short of igniting a revival in demand, which consequently has led to the frequent use of unconventional policies such as large-scale asset purchases and long-term funding instead. The change of policy has also become visible in the communication policies of central banks. In particular, the central banks in advanced economies started implementing forward guidance as the interest rates converged to zero. With forward guidance, central banks aim to increase the transparency of monetary policies while at the same time reduce the uncertainty surrounding these policies.

In the face of increased uncertainty regarding the global monetary policies since May 2013, the Central Bank of the Republic of Turkey (CBRT) has adopted a cautious monetary policy stance and tightened the liquidity policy in consideration of both the inflation indicators and the macrofinancial risks triggered by global uncertainties. Accordingly, the Bank has continued its additional monetary tightening to restrain the unfavorable effects of above-the-target inflation indicators on pricing behaviours. Moreover, the effective liquidity management has helped short-term interest rates to stand close to the upper bound of the interest rate corridor. In this way, the Bank delivered a front-loaded monetary tightening that was stronger than the uptrend in inflation expectations in that period. Starting from August, the Bank also decided to increase the predictability of the Turkish lira liquidity policy to contain the impacts of uncertainties surrounding the global monetary policies on the domestic economy. Subsequently, it adopted a strategy to ease the uncertainty regarding the interest rates, and built up a framework where there was now lesser of a relationship between global and domestic interest rates and market rates became, as they should, responsive to domestic macroeconomic developments.

## Maintaining the cautious stance in fiscal and financial policies is crucial to preserve the economy's resilience against global imbalances.

Loan rates, which had been on a decline in the first half of 2013, assumed an uptrend as of the third quarter. This period-long uptrend was a reflection of global financial developments and the tightening in overnight lending rates that the CBRT delivered through the interest rate corridor in July and August. In the same period, there was also an increase in deposit, currency swap and the CBRT average funding rates as well as the interest rates applied to securities issued by banks which all show the Turkish lira funding cost for the banks.

In designing its monetary policy strategy, the CBRT closely monitors fiscal policy and tax adjustment developments in terms of their impact on the inflation outlook. The monetary policy stance may be revised if the fiscal policy deviates notably from the current framework and if this deviation affects the medium-term inflation outlook negatively.

Maintaining the cautious stance in fiscal and financial policies is crucial to preserve the economy's resilience against global imbalances. In the medium-term, strengthening the structural reforms that will establish a lasting fiscal discipline and reduce the savings gap will support macroeconomic stability. Steps to be taken to strengthen structural reforms will also provide the monetary policy with more room for maneuver and contribute to social welfare by ensuring that long-term public borrowing rates remain permanently at low levels. Therefore, it is very important to realize the structural reforms stipulated by the Medium-Term Plan.

Under the current monetary policy implementation, the MPC decisions and Inflation Reports are the main communication tools of the CBRT. Accordingly, Inflation Reports were announced at press conferences by Governor Erdem Başçı on 29 January 2013 and on 30 July 2013 in Ankara and on 30 April 2013 and 31 October 2013 in İstanbul. With the Inflation Reports, the Bank shared with the public its evaluations on international economic developments; inflation, supply and demand developments; financial markets and financial intermediation and public finance as well as medium-term inflation and output gap forecasts.

The CBRT has contributed to the rebalancing of the Turkish economy with the policies it implemented by closely monitoring advanced and emerging economies and significantly bolstered the financial and macroeconomic stability.

Attaching great importance to contributing to financial stability along with its primary objective to achieve price stability, the CBRT released two issues of the Financial Stability Report on 30 May 2013 and 28 November 2013. The Financial Stability Report includes an analysis of the most recent developments on the financial stability front both in Turkey and around the world as well as various research conducted in the financial system.

In 2013, the Bank continued to post the MPC decisions on short-term interest rates and other monetary policy instruments as well as the summaries of the MPC meetings on its website. The CBRT made public its monetary and exchange rate policy for 2014 on 24 December 2013.

In 2013, with the aim of promoting the Bank and its policy implementations, the CBRT prepared several publications and released them in both print and electronic formats. Two booklets, Monetary Transmission Mechanism and Inflation and Price Stability, were published in 2013. These booklets were disseminated to banks, universities' economics departments, libraries, non-governmental organizations and various other institutions in Turkey. The CBRT also continued to publish the quarterly CBRT Bulletin in 2013, which informs different segments of the public about its policy implementations as well as its corporate structure, activities and publications.

The CBRT has contributed to the rebalancing of the Turkish economy with the policies it implemented by closely monitoring advanced and emerging economies and significantly bolstered the financial and macroeconomic stability. Under rapidly changing global conditions, the Bank will continue to steer the monetary policy in line with its objectives and ensure predictability through its policy documents and communication tools.

# Part 1

## General Information

The CBRT, which is vested with the exclusive privilege of issuing banknotes in Turkey, was founded on 30 June 1930 as a joint stock company to manifest its independence and its difference from other public institutions. The Bank started its operations on 3 October 1931 in Ankara.

The CBRT has a capital of 25,000 Turkish liras and its shares are divided into (A), (B), (C) and (D) classes. The Class (A) shares belong solely to the Treasury and cannot constitute less than fifty-one percent of the capital. Class (B) shares are allocated to national banks operating in Turkey. Class (C) shares belong to banks other than the national banks and privileged companies. Class (D) shares are allocated to Turkish commercial institutions and to legal and real persons of Turkish nationality. As of end-2013, the shares that belong to (A), (B), (C) and (D) classes were 55.12 percent, 25.74 percent, 0.02 percent and 19.12 percent, respectively.

With an amendment to the CBRT Law No: 1211 on 25 April 2001, the primary objective of the CBRT was explicitly described as achieving and maintaining price stability. Moreover, the amendment stipulated that the Bank would determine at its own discretion the monetary policy that it would implement and the monetary policy instruments it would use. Thus, the Bank is vested with instrument independence.

In addition, the Bank takes precautions to achieve stability in the financial system and regulatory measures with respect to money and foreign exchange markets. Finally, the Law also stipulated that the Bank would support the growth and employment policies of the government, provided that it shall not be in conflict with the objective of achieving and maintaining price stability.

At the end of 2013, the CBRT had 4,659 employees working in 16 Departments and 21 branches in Turkey, 1 Representative Office in London and 9 Turkish Representations in Frankfurt, Kuala Lumpur, Moscow, New York, Peking, Sydney, Tokyo and Washington. With this organizational structure, the CBRT implements its policies in a dynamic style by closely monitoring the developments in both domestic and international spheres and executing its functions in line with the powers and duties granted by its Law.

## 1.1. Governing Bodies

### 1.1.1. Board



Dr. Erdem Başçı  
Chairman



Mehmet Vehbi Çıtak  
Member



Dr. Lokman Gündüz  
Member



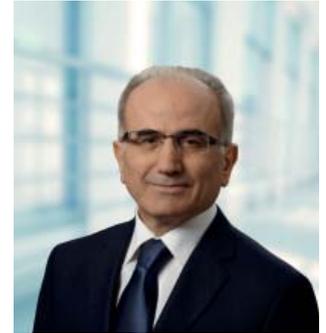
Prof. Dr. Necdet Şensoy  
Member



Prof. Dr. Sabri Orman  
Member



Dr. Ahmet Faruk Aysan  
Member



Abdullah Yalçın  
Member

The Board is composed of the Governor and six members elected by the General Assembly. Board members serve a three-year term of office and one third of the members are replaced every year. The Governor also acts as Chairman of the Board. Board meetings are held at least once a month at the request of the Governor. The Board convenes with the participation of at least two thirds of its members and renders decisions by the majority of members present.

Duties and powers of the Board include: making decisions concerning the monetary policy to be implemented and monetary policy instruments to be utilized in compliance with the inflation target; setting forth regulations regarding banknotes in circulation; drawing up regulations regarding open market operations and foreign exchange and foreign currency transactions, interest rates related to rediscount and advance transactions, reserve requirements and the management of gold and foreign exchange reserves of the country;

preparing the budget, annual report, balance sheet, income statements and the agenda of the General Assembly of the Bank; approving the staff structure and regulations on the administration, organization, services and personnel of the Bank. In 2013, the Board held 20 meetings and made a total of 166 decisions.

At the CBRT Shareholders' Ordinary General Meeting held on 9 April 2013, Board members Prof. Dr. Sabri Orman and Dr. Ahmet Faruk Aysan, whose terms of office were to expire at the end of 30 April 2013, were re-elected as members of the Board for a term of 3 years from 1 May 2013 to the end of 30 April 2016.

As of 31 December 2013, the Chairman of the Board is Governor Dr. Erdem Başçı and the Board members are Mehmet Vehbi Çıtak, Dr. Lokman Gündüz, Prof. Dr. Necdet Şensoy, Prof. Dr. Sabri Orman, Dr. Ahmet Faruk Aysan and Abdullah Yalçın.

## 1.1.2. Monetary Policy Committee



Dr. Erdem Başçı  
Chairman



Dr. Mehmet Yörükoğlu  
Member



Prof. Dr. Turalay Keleş  
Member



Necati Şahin  
Member



Murat Çetinkaya  
Member



Dr. Ahmet Faruk Aysan  
Member



Prof. Dr. Abdullah Yavaş  
Member

The Monetary Policy Committee (MPC) is composed of the Governor as its chairman, the Deputy Governors, a member to be elected by and from the Board members and a member to be appointed by a joint decision on the recommendation of the Governor. The Undersecretary of Treasury or the Deputy Undersecretary to be designated by him/her may participate in meetings without voting rights. The MPC's duties and powers are: to determine the principles and the strategy of monetary policy to achieve and maintain price stability, to determine the inflation target jointly with the Government within the framework of the monetary policy strategy, to provide information to the public in line with the principles set forth and to provide information to the Government within specified periods by preparing reports on monetary policy targets and implementations, to take necessary measures to protect the domestic and international value of the

Turkish lira and to set the exchange rate regime to be employed in determining the value of the Turkish lira against gold and foreign currencies jointly with the Government.

The MPC held 12 meetings in 2013.

As of 31 December 2013, members of the MPC chaired by Governor Dr. Erdem Başçı are Deputy Governors Dr. Mehmet Yörükoğlu, Prof. Dr. Turalay Keleş, Necati Şahin, Murat Çetinkaya, Board members Dr. Ahmet Faruk Aysan, and Prof. Dr. Abdullah Yavaş.

### 1.1.3. Auditing Committee



Mustafa Saim Uysal  
Member



Prof. Dr. Hasan Türedi  
Member



Yasin Aydın  
Member



Ahmet Fethi Toptaş  
Member

Members of the Auditing Committee are elected as follows: one member by the shareholder of class (A), two members by the shareholders of classes (B) and (C) and one member by the shareholders of class (D).<sup>(1)</sup>

Members of the Auditing Committee serve a two-year term of office. The Auditing Committee supervises all the Bank's operations and accounts. The Auditing Committee, which has no administrative power, submits its evaluations to the Board in writing and presents a copy to the Prime Ministry thereof. At the end of each year, the Committee prepares a report on the Bank's operations and accounts and submits it to the General Assembly.

At the regular General Assembly meeting of the CBRT held on 9 April 2013, the members of the Auditing Committee, whose terms of office were to expire at the end of 30 April 2013, were re-elected. Thus, Yasin Aydın was re-elected by shareholders of class (A); Ahmet Fethi Toptaş by the shareholders of classes (B) and (C) and Mustafa Saim Uysal by shareholders of class (D) as members of the Auditing Committee for a term of office from 1 May 2013 until the end of 30 April 2015.

As of 31 December 2013 the members of the Auditing Committee are: Mustafa Saim Uysal, Prof. Dr. Hasan Türedi, Yasin Aydın and Ahmet Fethi Toptaş.

<sup>(1)</sup> Article 23 of the CBRT Law has been amended by Law No.6456 dated 3 April 2013. This amendment stipulates that the Auditing Committee shall be composed of four members elected by the General Assembly and that the Auditing Committee members holding office on the date that the amendment took effect (1 May 2013) shall continue to serve until their terms of office expire.

#### 1.1.4. Executive Committee



Dr. Erdem Başçı  
Chairman



Dr. Mehmet Yörükođtu  
Member



Prof. Dr. Turalay Kenç  
Member



Necati Şahin  
Member



Murat Çetinkaya  
Member

The Executive Committee is composed of the Governor and Deputy Governors. The Governor is appointed by a Council of Ministers decree to serve a five-year term. The Deputy Governors are appointed for five years by a joint decision upon the recommendation of the Governor. Decisions of the Executive Committee are taken by a majority of all members.

The Executive Committee draws up regulations on the administration, organization and services of the Bank, and when the Governor deems necessary, it examines issues subject to Board decision in advance and prepares proposals to be submitted to the Board. The Committee is also responsible for ensuring the coordination of the Bank's operations and performing duties related to the appointment, remuneration, dismissal and retirement of employees other than those appointed by the Board.

As of 31 December 2013, members of the Executive Committee chaired by Governor Dr. Erdem Başçı are Dr. Mehmet Yörükoğlu, Prof. Dr. Turalay Kenç, Necati Şahin and Murat Çetinkaya.

### 1.1.5. Financial Benefits for Senior Management

In line with articles 19, 22/A, 24 and 33 of the CBRT Law No:1211, the representation allowances and monthly salaries of the Governor and Deputy Governors as well as monthly salaries and compensations of the Board members and MPC members, and the salaries of the Auditing Committee members are determined by the Council of Ministers. Accordingly, in 2013, the gross amount paid to members of the Board, Executive Committee, MPC and Auditing Committee of the Bank was 5,011,734 Turkish liras. This amount accounts for 1 percent of the total salaries and fringe benefits paid to the bank staff in 2013.

### 1.1.6. Head Office Departments

By 31 December 2013;

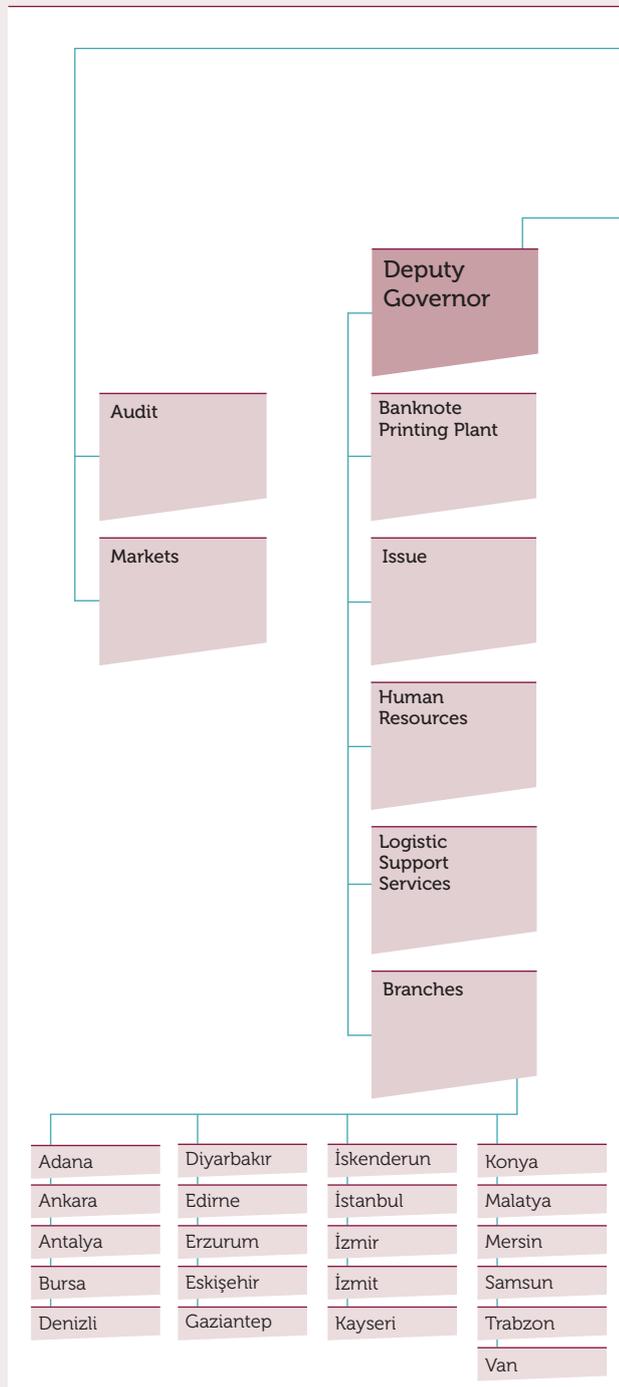
Accounting	Executive Director	İrfan Yanar
Audit	Executive Director	Mehmet Düzgün
Banking and Financial Institutions	Executive Director	Dr. Çiğdem Koğar
Banknote Printing Plant	Executive Director	Cem Zerey
Communications and Foreign Relations	Executive Director	Dr. Tuğrul Gürgür
Human Resources	Executive Director	Cem Eyerci
Informatics Technology	Executive Director	Ömer Öztürk
Issue	Executive Director	Selahattin Akkaş
İstanbul School of Central Banking	Executive Director	Dr. Necati Tekatlı
Legal	Chief Legal Counsel and Executive Director	Dr. Osman Remzi Günver
Logistic Support Services	Executive Director	Emin Keskin
Markets	Executive Director	Erkan Kilimci
Payment Systems	Executive Director	Dr. Cihan Aktaş
Research and Monetary Policy	Acting Executive Director	Dr. Mustafa Kılıç
Statistics	Executive Director	Gülbin Şahinbeyoğlu
Workers' Remittances	Executive Director	Dr. Ali Çufadar

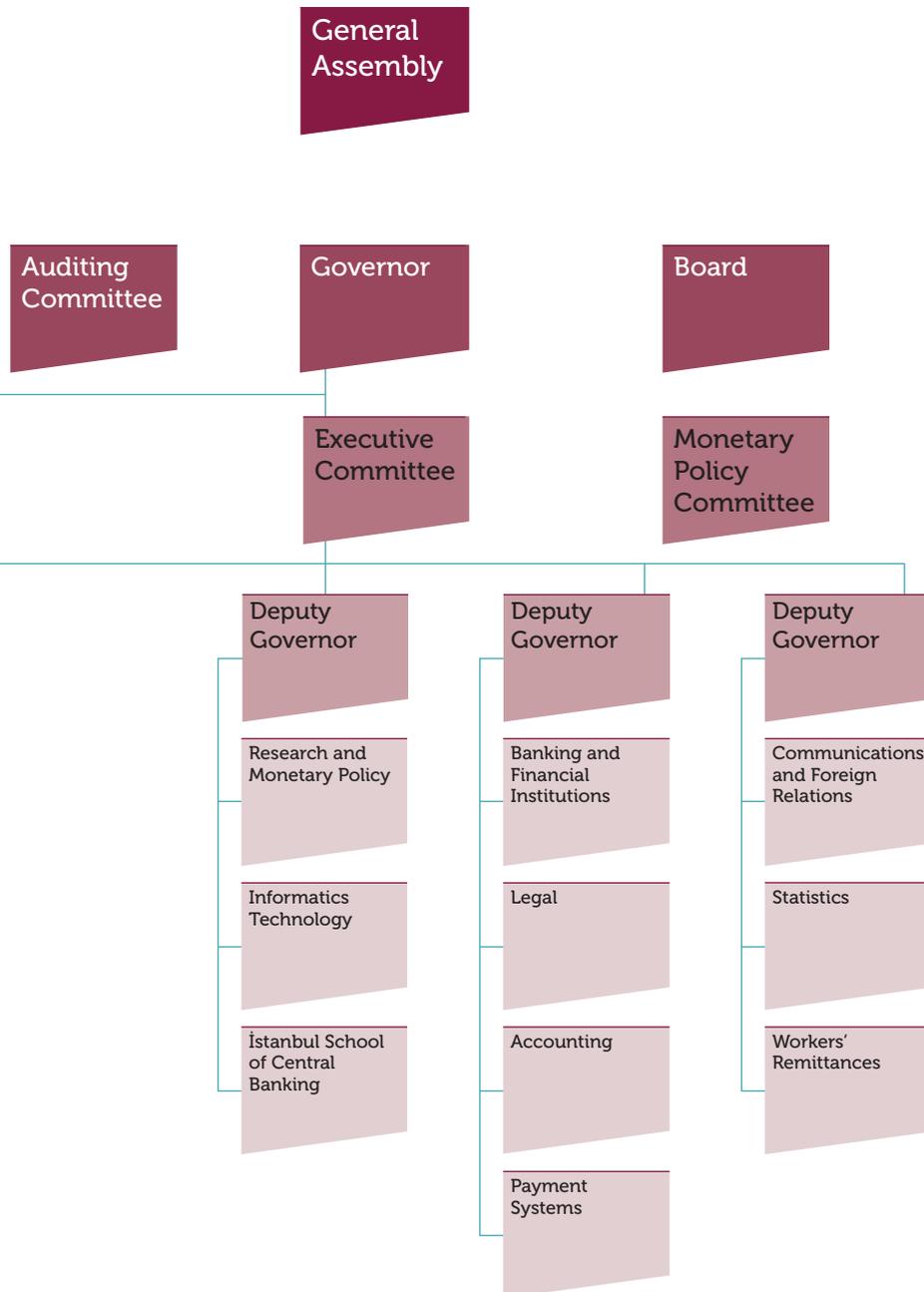
### 1.1.7. Branches

By 31 December 2013;

Adana	Director	İskender Büyüктаş
Ankara	Director	Yusuf Bora Enhoş
Antalya	Director	Eyüp Kütük
Bursa	Director	Ahmet İnci
Denizli	Director	Osman Tannikulu
Diyarbakır	Director	Ertuğrul Gündoğdu
Edirne	Director	Hatice Oya Amaç
Erzurum	Director	İshak Uzuntaş
Eskişehir	Director	Tevfik Hayati Boyalı
Gaziantep	Director	Kemal Ketenci
İskenderun	Director	Süleyman Miçooğulları
İstanbul	Director	Haluk Ersoy
İzmir	Director	Mehmet Reşit Ketene
İzmit	Director	Halil Yeşilbursa
Kayseri	Director	Osman Kandıra
Konya	Director	Cemal Şahiner
Malatya	Director	Mehmet San
Mersin	Director	Muharrem Zengin
Samsun	Director	Mehmet Ünal Kekevi
Trabzon	Director	Ramazan Karaman
Van	Director	-

### 1.1.8. Organization Chart





## 1.2. CBRT 2011-2015 Strategic Plan

### Our Vision

To be one of the world's leading central banks, possessing independence, sound organizational structure, highly qualified employees, technological advantages and capacity to achieve effective results.

### Our Mission

To design and implement policies to achieve price stability and contribute to financial stability for the sound functioning of money, credit and capital markets along with all other sectors of the economy; manage foreign exchange and gold reserves; issue the country's banknotes; ensure continuity of the safe circulation of banknotes; establish and operate payment systems; increase the effectiveness of the CBRT on a regional and global scale by strengthening international relations; add value to our employees, stakeholders and the community as called for by our corporate governance structure and values of transparency and accountability.

### Our Values

1. Independence
2. Transparency and accountability
3. Credibility
4. Public interest
5. Effectiveness and efficiency

### Strategic Areas and Strategic Themes

Tasks that are assigned to the bank by law and in-house support services are grouped into three strategic areas as the Public, Global, and Corporate areas; each area has strategic sub themes.

#### Public Area

1. Price stability
2. Financial stability
3. Payment systems
4. Reserve management
5. Acting as the financial and economic advisory body, the fiscal agent and the treasurer of the government
6. Banknote issue policy
7. On-site supervision of banks and financial institutions
8. Compilation and publication of statistical data
9. Communication, transparency and accountability

#### Global Area

1. Role in the network of central banks
2. Being effective and influential in international platforms
3. Being effective in the region and the immediate surroundings
4. Roles in the European Union accession process
5. Adopting international norms
6. Obligations arising from international agreements

#### Corporate Area

1. Leadership, governance and strategic planning
2. Quality management system
3. Organizational structure
4. Human resources and training processes
5. Technological infrastructure and information systems
6. Corporate internal communications and in-house activities
7. Construction, logistics and external support services
8. Public relations, publicity and external activities
9. Internal control system
10. Auditing activity
11. Legal structure
12. Information- document production and management
13. Corporate continuity and security
14. Accounting and budgeting
15. Services in branches

### 1.3. Staff

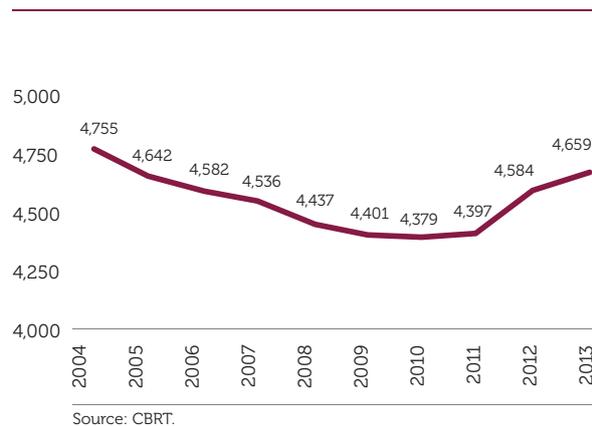
In line with its strategic role in the economy, and the various tasks that it undertakes, the CBRT has qualified human resources comprised of different professions. By end-2013, the total number of CBRT staff posts was 4,993; the total number of staff employed 4,659 and the occupancy rate 93.31 percent.

A total of 98 staff members have ceased employment due to retirement, resignation, military service or death, while 167 employees have been recruited. Additionally, 6 staff members, who had left the Bank to complete their military services, have returned. Consequently, the actual number of staff members by the end of the year increased by 75 to 4,659 compared to 2012 (Graph 1).

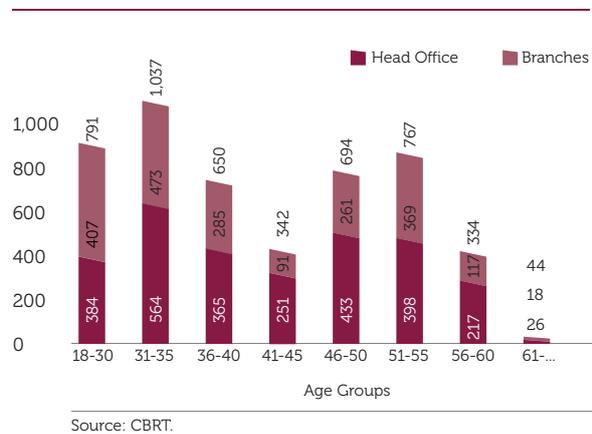
The distribution of CBRT staff is as follows: 76.45 percent comprise general administrative services, 11.31 percent technical services, 0.45 percent medical services, 0.28 percent legal services, and 11.51 percent by auxiliary services. Additionally, 16.33 percent of the staff employed is contract personnel.

Approximately 56.62 percent of the CBRT staff work at the head office, while 43.38 percent work at the branches. Based on age distribution of the staff, 39.24 percent of the personnel fall in the range of 18-35 years (Graph 2). Moreover, 70.04 percent of the Bank's employees have associate, bachelors, masters and doctorate degree (Graph 3).

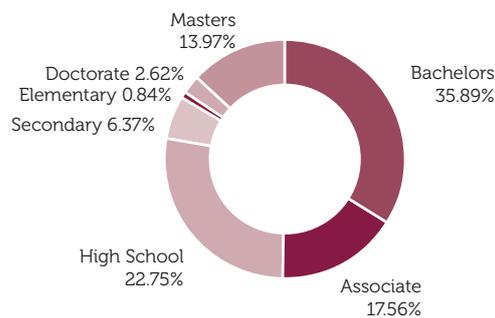
Graph 1. Number of Employees Between 2004 - 2013



Graph 2. Age Distribution of Employees



Graph 3. Educational Distribution of Employees



## Part 2

# Activities and Major Developments

## 2.1. Price Stability, Financial Stability and Monetary Policy

### 2.1.1. Overview

After the global financial crisis, monetary policy has begun to take into account financial stability as well as price stability in most countries. In order to contain macro financial risks that emerged from global imbalances, the CBRT adopted a new monetary policy strategy by improving the inflation targeting regime over the last three years. Under the new strategy that has been in place since the last quarter of 2010, the Bank has developed policies that aim at reducing macro financial risks without prejudice to price stability. To this end, in addition to money market rates, the conventional monetary policy tool, the Bank actively used reserve requirement ratios, Reserve Options Mechanism (ROM), interest rate corridor and other liquidity policies.

Due to ongoing uncertainties about global economy and considering macro financial risks, the CBRT continued with its flexible monetary policy practices until May 2013. In this period, because credit expansion was faster than expected thanks to strong capital flows, the Bank kept short-term interest rates low in order to offset the risks to financial stability, and continued to implement macroprudential measures boosting foreign exchange reserves. This policy stance helped to control the pressure on real exchange rate appreciation and maintain the rebalancing of domestic and external demand.

After May 2013, when uncertainties about monetary policies in global scale began to mount, financial markets faced increased uncertainty, primarily due to the monetary policies of developed countries. This increased uncertainty caused a re-pricing in all financial assets including exchange rates, and the share of emerging markets in global portfolio investments decreased. While the Turkish economy was affected similarly during this period, there were capital outflows from portfolio items although external borrowings of financial and nonfinancial sectors were sound. Against this background, the CBRT adopted a cautious stance to not only balance macro financial risks, but also contain the deterioration in the inflation outlook. The susceptibility of advanced economies' monetary stances to high-frequency data releases added to financial market uncertainties in this period. To contain the spillover from such uncertainties, the CBRT decided to gradually increase the predictability of the Turkish lira liquidity policy. To this end, the Bank decided to pursue a strategy of reducing interest rate uncertainty by creating a framework where the relationship between global interest rates and domestic interest rates has largely weakened and market rates have become more responsive to domestic macroeconomic developments.

## 2.1.2. Developments in 2013

### Monetary Policy Developments

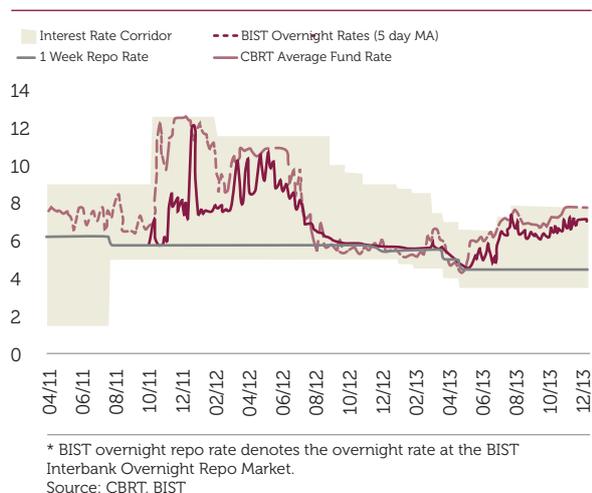
Despite strong capital flows in early 2013, overnight lending and borrowing rates were lowered in January and February by 25 basis points, each. Moreover, as the need for a broad interest rate corridor decreased thanks to ROM's automatic stabilizer feature, the overnight lending rate was lowered by 100 basis points in March. Due to ongoing policy rate cuts in other emerging market economies and the resurgence of capital flows into Turkey, the policy rate, the overnight lending rate and the borrowing rate were cut by 50 basis points each in April to counterbalance risks to financial stability (Graph 4).

Since strong capital flows continued and credit expansion remained above the reference value in the beginning of the second quarter of the year, short-term interest rates were kept low, and macroprudential measures boosting foreign exchange reserves were maintained to balance the risks to financial stability. Accordingly, the policy rate and overnight lending and borrowing rates were cut by 50 basis points in May (Graph 4). In addition, foreign exchange reserve requirement ratios were increased to raise the effective reserve requirement ratio to 11.9 percent.

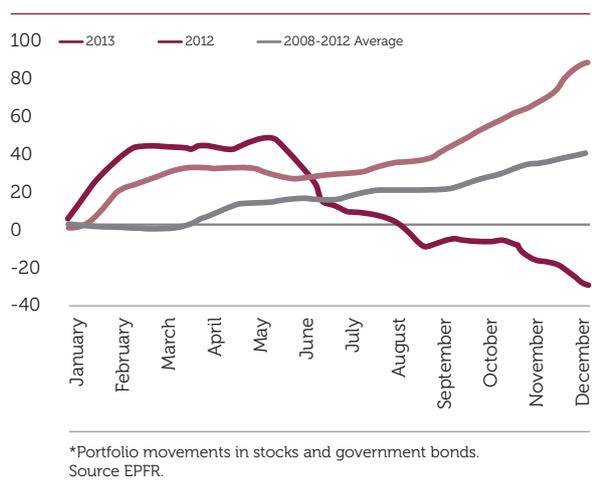
As of the end of May, due to increased uncertainty over global monetary policies, there were capital outflows from emerging markets as well as from Turkey and high volatility was observed in exchange rates. The high volatility in exchange rates and the credit expansion hovering above the reference value urged the CBRT to apply short-term additional monetary tightening and, subsequently, to start holding foreign exchange selling auctions to strengthen the effect of monetary tightening.

In the third quarter of 2013, the ongoing uncertainty about the US Federal Reserve (Fed)'s exit strategy from the quantitative easing policy and problems concerning the resolution of the debt ceiling in the US were the main factors causing uncertainty in global markets. After May, developments in global monetary policies caused re-pricing of all financial assets leading to capital outflows from global portfolio investments across emerging economies (Graph 5). Turkey witnessed similar capital outflows during this period (Graph 6).

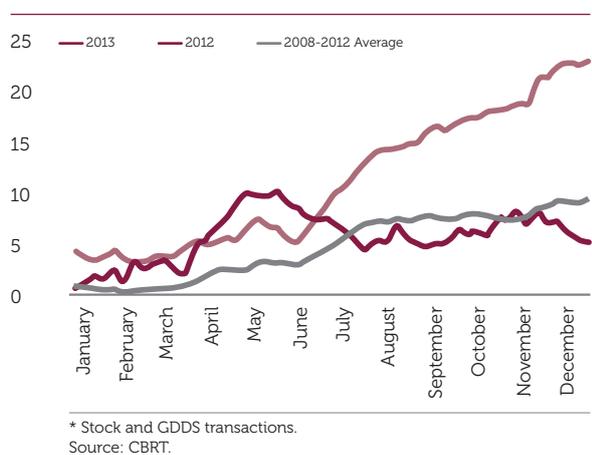
Graph 4. BIST Interbank Market Overnight Rates\* (Percent)



Graph 5. Portfolio Movements in Emerging Economies\* (Billion USD)



Graph 6. Portfolio Movements in Turkey\* (Billion USD)



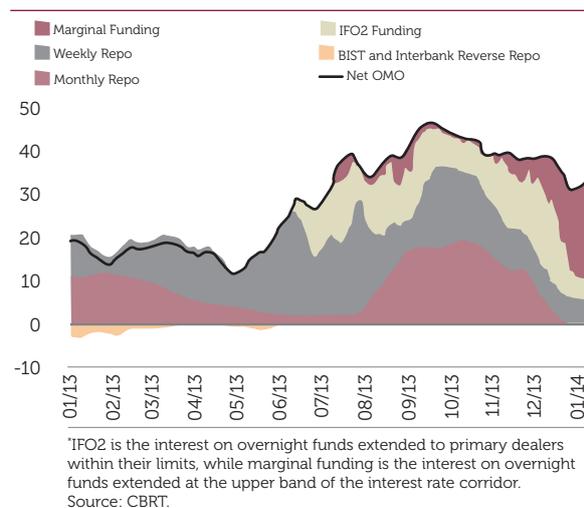
In the third quarter, the upper bound of the interest rate corridor was raised by 75 and 50 basis points, in July and August, respectively, in order to prevent global uncertainties, the depreciation of the Turkish lira and high inflation from deteriorating the overall pricing behavior. During this period, as the CBRT reduced the amount of liquidity injected to the market through quantity auctions, the banks resorted to high-cost overnight borrowing facilities (Graph 7). Moreover, the Bank decided not to conduct foreign exchange selling auctions and not to fund banks via the primary dealer facility on days of additional monetary tightening (AMT). In this period, the CBRT leaned toward implementing a monetary policy that focused on inflation and aimed at restricting the negative effects of uncertainties in global monetary policies. Following these measures, the BIST overnight repo rates have converged to the upper bound of the interest rate corridor.

The Fed's monetary policy, which depended on high-frequency economic data releases, coupled with the volatility in such data, led to a rise in fluctuations in financial markets. In the third quarter of the year, the CBRT decided to increase the predictability of the Turkish lira liquidity policy to curb the impacts of global monetary policy uncertainties on the domestic economy. Accordingly, the CBRT adopted a strategy towards reducing interest rate uncertainty, and the economy was prevented from being dragged into a vicious circle that was not driven by economic fundamentals. Consequently, the CBRT started to announce the total and remaining days of AMT and decided to conduct foreign exchange selling auctions on AMT days.

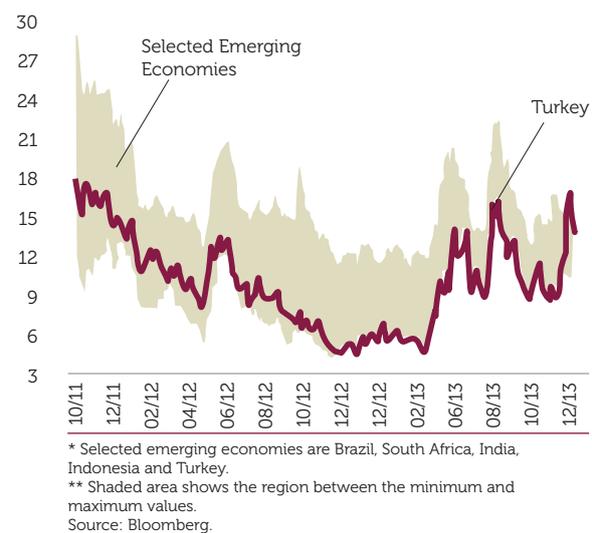
In the last quarter of 2013, uncertainties regarding the monetary policies of the central banks of advanced economies persisted and inflation hovered above the target leading the CBRT to continue with the cautious monetary policy stance. Moreover, in this period of weak capital flows, interest rate volatility was reduced. Accordingly, a liquidity policy was implemented that kept overnight market rates close to the upper band of the corridor. One-month repo auctions were terminated and a liquidity management designed to fund the market mostly by overnight maturity was adopted to reduce interest rate volatility. Thus, the composition of liquidity injected was adjusted and overnight rates in the interbank money market were kept around 7.75 percent (Graph 4). In addition, it was announced that the weighted average funding cost would be kept at or above 6.75 percent, a move increasing the predictability of interest rates.

In December 2013, the Fed launched the exit strategy from the quantitative easing policy. In this period, implied volatility of the Turkish lira increased more than the currencies of advanced economies due to country-specific developments (Graph 8 and 9).

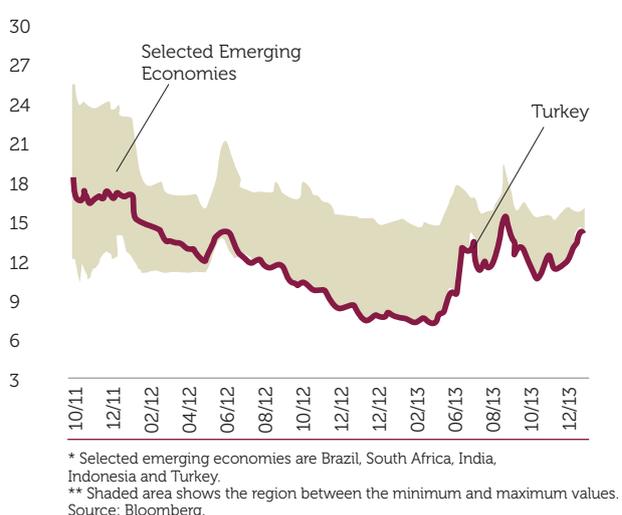
Graph 7. CBRT Funding\* (2-Week Moving Average, Billion TL)



Graph 8. Exchange Rate Volatility Implied by Options\*\*\* (1-month maturity)



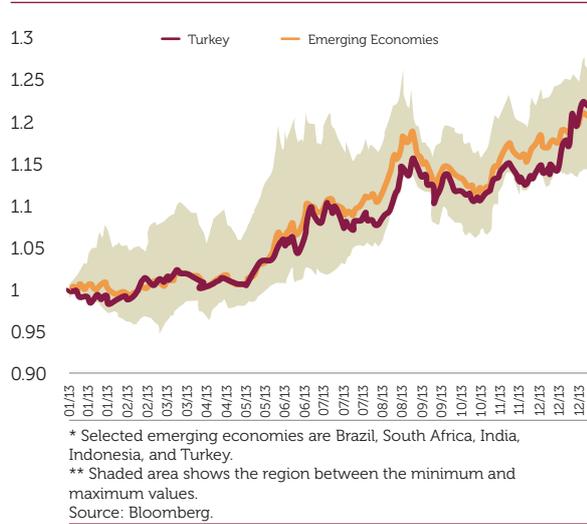
Graph 9. Exchange Rate Volatility Implied by Options\*\*\* (12-month maturity)



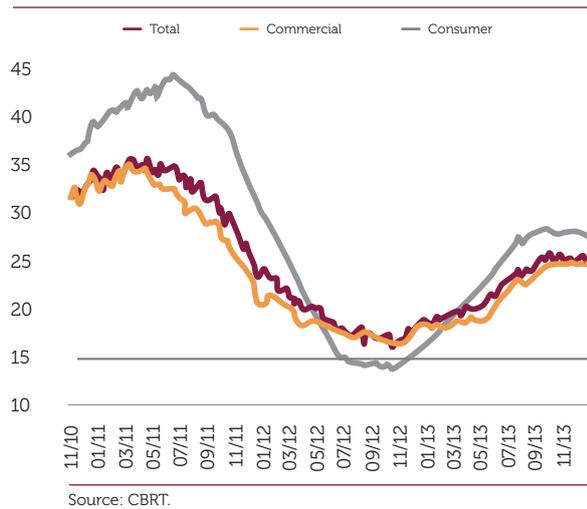
Throughout 2013, the Turkish lira followed a course parallel to the currencies of other emerging economies with a high foreign financing requirement (Graph 10). Nevertheless, recently, the Turkish lira has performed relatively worse against the US dollar due to Turkey-specific risks.

The uptrend in growth rate of credits extended to the non-financial sector observed as of November 2012 stimulated by the CBRT's accommodative liquidity policy, low course of loan rates and the moderate rise in domestic demand, continued until October 2013 (Graph 11). The annualized total credit growth rate, which was pushed upwards both by consumer and business loans until mid-year, started to trend downwards due to the CBRT's liquidity tightening besides increased credit costs due to global developments (Graph 12). Amid these developments, the annual growth of total credits became 25.0 percent on 27 December 2013.

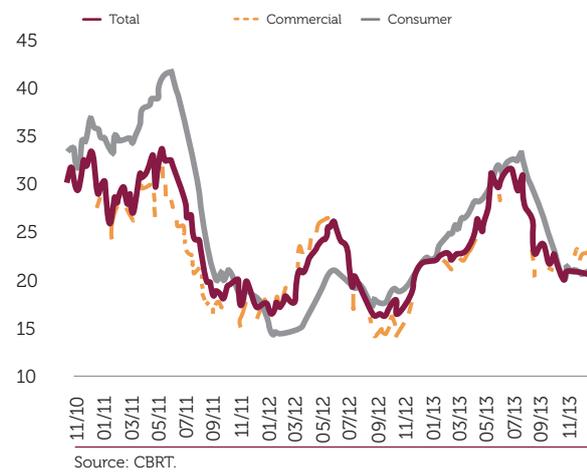
Graph 10. Value of TL and Emerging Market Currencies Against USD\*\* (01.01.2013=1)



Graph 11. Annual Credit Growth Rates (Annual Percentage Change)



Graph 12. Quarterly Credit Growth Rates (Adjusted for the Exchange Rate Effect, 13-Week Moving Average Annualized, Percent)



### Inflation Developments

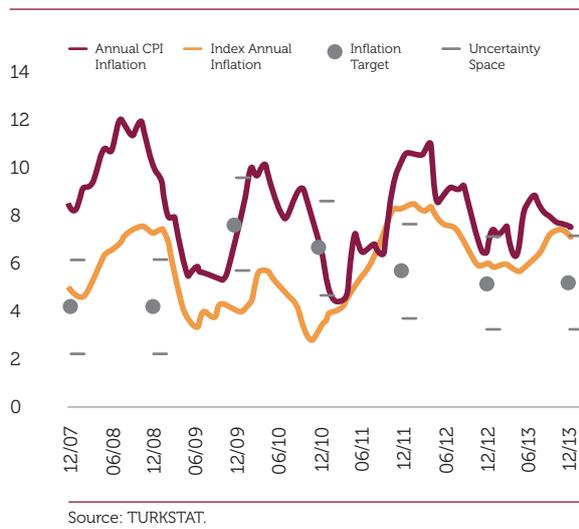
Having hovered above the uncertainty band across 2013, the inflation rate climbed to 7.40 percent by the end of the year. The course of annual consumer inflation was mostly shaped by unprocessed food and energy prices throughout 2013. Being pushed upwards by the effects of tax adjustments on tobacco products as well in January, inflation exhibited volatility in the subsequent period due to the unprocessed food and energy prices, but completed the first half of the year significantly above the values implied by the target. In the second half of the year, weak capital flows driven by the uncertainty regarding global monetary policies caused the Turkish lira to depreciate, which increased core inflation indicators particularly via the core goods group (Graph 13). Against these developments, inflation expectations slightly deteriorated in the last 6 months of the year (Graph 14).

The primary objective of the CBRT is achieving price stability. Accordingly, a cautious monetary stance was adopted to contain the impact of foreign exchange rate volatility on pricing behavior. Also the CBRT stated that this stance would be maintained until the inflation outlook becomes consistent with the medium-term targets.

### Developments in the National Income, Balancing Process and the Labor Market

Owing to the new monetary policy that has been adopted since the end of 2010, besides macroprudential measures, a balancing process has been witnessed between domestic and external demand. Being a part of this process, the final domestic demand, which remained flat in 2011-2012, increased moderately in the first nine months of 2013 (Graph 15). Exports of goods excluding gold displayed a stronger growth as of 2011 compared to imports of goods excluding gold and supported the balancing of the current account deficit (Graph 16). In this period, the Gross Domestic Product (GDP) grew by 4.0 percent in the first nine months of 2013 following a growth of 2.2 percent in 2012.

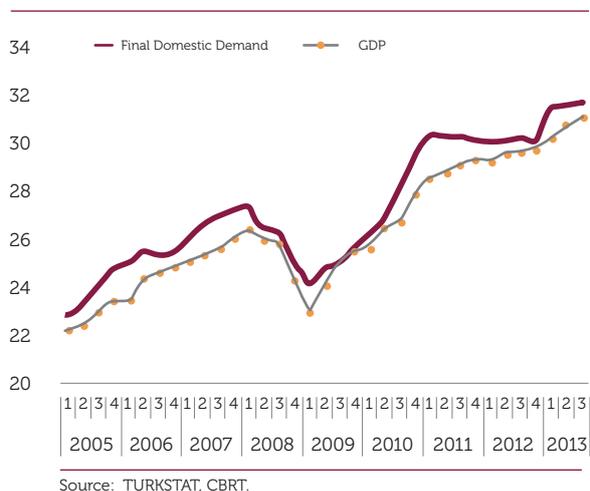
Graph 13. Inflation and Targets (Percent)



Graph 14. Inflation Expectations (Percent)

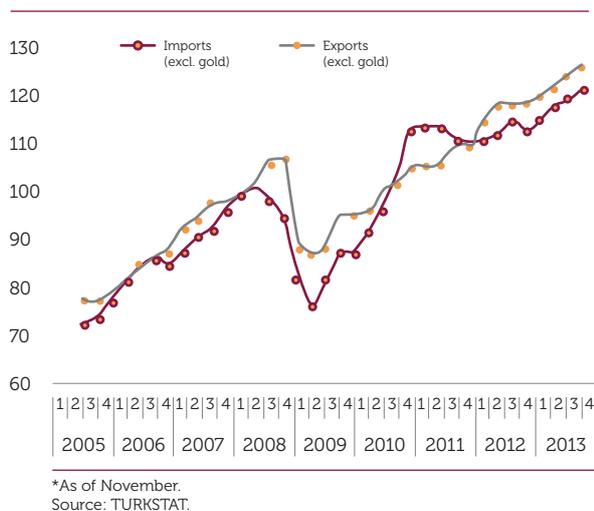


Graph 15. GDP and Final Domestic Demand (Seasonally Adjusted, Billion TL)

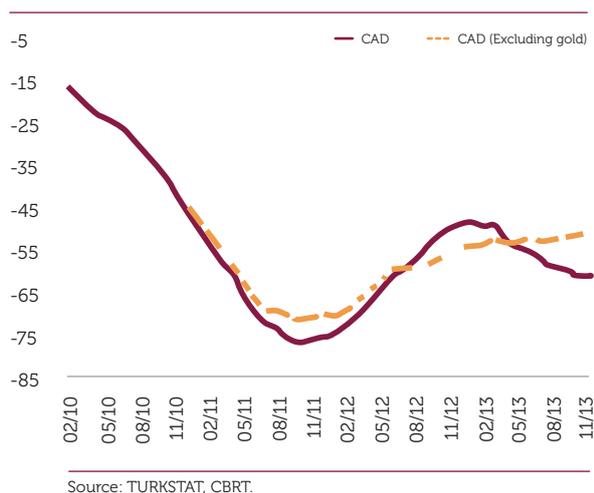


The balancing between the domestic and external demand that started in 2011 led to a notable improvement in the current account balance. Although the total current account deficit data have recently deteriorated due to the volatility in the gold trade, the current account deficit continues to improve gradually when the impact of the gold trade is excluded (Graph 17). Meanwhile, under the new monetary policy that has been implemented since the end of 2010, the real exchange rate has retreated from levels considered as overvalued by economic fundamentals (Graph 18). In 2012 and the first half of 2013, the real exchange rate was prevented from re-climbing to excessively appreciated levels by the measures implemented. Despite the depreciation in the real exchange rate after May 2013, the real exchange rate was not initially in the overvalued zone compared to the previous financial fluctuations. This was one of the factors that contained the real exchange rate volatility in comparison to the previous fluctuations.

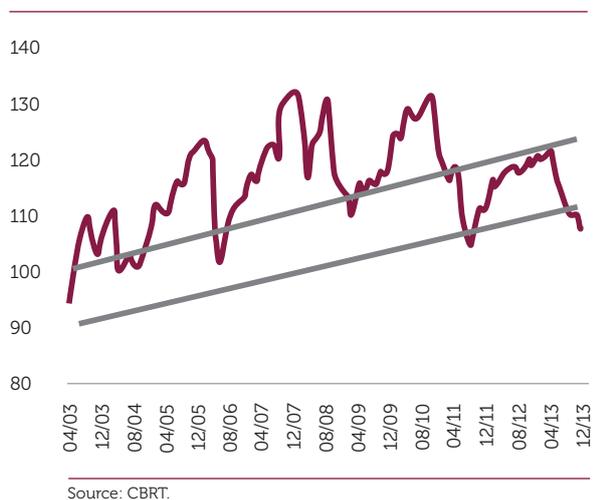
Graph 16. Export and Import Quantity Indices (Seasonally Adjusted, 2010=100)



Graph 17. Current Accounts Balance (12-month cumulative, Billion USD)



Graph 18. Real Effective Foreign Exchange Rate Index (CPI-Based, 2003=100)

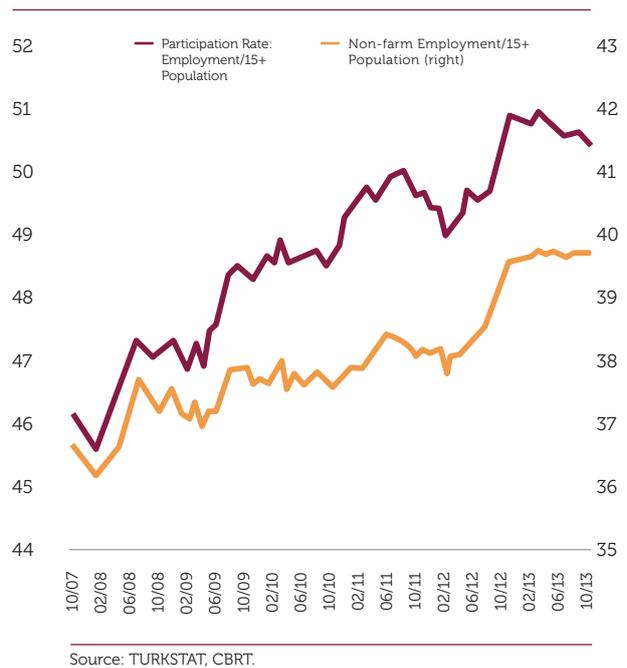


On average, unemployment rates displayed an upward trend during 2013 (Graph 19). The increase in unemployment rates was driven by the relative weakness in non-farm employment compared to the previous year. Across subcategories of non-farm employment, increases in industrial and services employment observed until May were replaced by losses after June. The construction employment exhibited a sluggish outlook during 2013 in spite of a slight recovery in the third quarter. Labor force participation rates moved parallel to employment rates (Graph 20).

Graph 19. Unemployment Rates  
(Percent, Seasonally Adjusted)



Graph 20. Ratio of Total and Non-Farm Labor to  
Population of 15+  
(Seasonally Adjusted)



## 2.2. Operational Framework of the Monetary Policy

### 2.2.1. Turkish Lira Liquidity Management

Through the end of 2012, relatively alleviated risks about the Eurozone through accommodative policy decisions of the ECB and more effective utilization of the Reserve Options Mechanism (ROM) reduced the need for a wider interest rate corridor. Hence, the CBRT ensured that money market interest rates hover around the lower bound of the corridor by increasing the funding amount offered to the market while narrowing the interest rate corridor through cutting overnight lending rates.

Since late 2012, accelerating capital inflows, visible credit revival and appreciation pressures on the TL have caused the CBRT to focus on macro financial risks. The CBRT has lowered short term interest rates while taking tightening steps regarding reserve requirements considering that keeping interest rates low and continuing macroprudential measures would be proper in the 1<sup>st</sup> quarter of 2013.

In the first months of 2013, the recovery in final domestic demand was healthy and export was strong despite weak global growth. The effectiveness of the ROM has been gradually increased and the overnight lending rate has been lowered due to the fact that the balancing feature of the mechanism reduces the need for a wider interest rate corridor.

Since April, in order to balance the risks to the financial stability, the level of short term interest rates has been kept lower, while macroprudential measures aiming at increasing the level of gross foreign exchange (FX) reserves have continued. In this framework, while short term interest rates were gradually decreased in April and May, the coefficients of the reserve options mechanism were increased.

Since the end of May, the CBRT has started to apply a cautious monetary policy in response to increasing uncertainties in global monetary policies and the volatility of capital flows. In this regard, the CBRT has funded the market below the system's funding need since June. In this month also additional monetary tightening was implemented for four days.

A measured monetary tightening was deemed necessary to contain deterioration in the pricing behavior because of the surging unprocessed food prices, the rising oil prices, and the increased exchange rate volatility and to limit the need of the loan growth hovering above the reference rate. To maintain price stability and support financial stability, the upper limit of the corridor was increased from 6.5 percent to 7.25 percent and the interest rate

on borrowing facilities provided for primary dealers via repo transactions was increased from 6 percent to 6.75 percent.

During July, the CBRT kept implementing additional monetary tightening with a view to contain the negative effects of rising inflation on the pricing behavior and announced additional monetary tightening for five days.

On 23 July 2013, the CBRT announced that there would be no funding to banks via the primary dealer repo facility on additional monetary tightening days effective from 24 July 2013. This change ensured interbank market rates to materialize around 7.75 percent during additional monetary tightening days.

To increase the effectiveness of the additional monetary tightening, the interest rate corridor was widened with an increase in the the overnight lending rate from 7.25 percent to 7.75 percent in August. In this period, the effective liquidity management provided the short term money market interest rates to materialize close to the upper bound of the interest rate corridor.

The Bank decided to increase the predictability of the Turkish lira liquidity policy starting from August to contain the repercussions of uncertainties in global monetary policies on the domestic economy.

In the third quarter of the year, the CBRT continued to provide FX liquidity to the market via FX selling auctions, which fed into the growing Turkish lira liquidity deficit in the market. The CBRT's reduction of the share of one-week repo in total funding in this quarter led to an increase in the share of funds provided by the overnight and monthly lending facilities. Correspondingly, the CBRT's average funding rate and the BIST Interbank O/N repo rate increased.

With respect to the prediction that inflation indicators were likely to hover above the inflation target due to the exchange rate volatility observed in the second half of 2013, in order to contain the impact of these developments on the pricing behavior, the CBRT decided to strengthen the cautious stance and reduce the volatility of money market interest rates. To this end, one month repo auctions were terminated in the Committee meeting held on 19 November 2013. Thus, interbank money market rates materialized close to the upper bound of the interest rate corridor.

On 17 December 2013, the maximum outstanding amount of the funding provided via one-week quantity repo auctions was reduced from

10 billion Turkish liras to 6 billion Turkish liras. In addition, the total amount of funding facility offered to primary dealer banks within the framework of open market operations was reduced from 7 percent to 2 percent of the outstanding Turkish lira-denominated Treasury securities purchased from Treasury auctions. Thus, the total amount of funds available to primary dealer banks through this facility was reduced from 23.0 billion Turkish liras to approximately 6.5 billion Turkish liras.

**Table 1. Decisions on Open Market Operations**

	<b>Funding Amount for Normal Days of Quantity Auctions (TL Billion)</b>	<b>One-month Repo Auctions (Upper Limit for Each Auction Amount, TL Billion*)</b>
22 January 2013	0.2-6.5	3.0
19 February 2013	0.2-6.5	2.5
26 March 2013	0.2-6.5	1.0
16 April 2013	0.2-6.5	1.0
16 May 2013	0.2-9.0	0.5
18 June 2013	0.2-9.0	0.5
23 July 2013	0.2-	

\*One month repo auctions were terminated on 19 November 2013.

### 2.2.2. Exchange Rate Policy

The CBRT has continued to implement floating exchange rate regime in 2013. The foreign exchange rate is determined by supply and demand conditions in the market. The CBRT does not have a nominal or real exchange rate target under this regime. Nonetheless, to curb the risks to the financial stability, the CBRT does not remain unresponsive to excessive appreciation or depreciation of Turkish lira.

After May, increased volatility was observed in domestic foreign exchange markets parallel to many other developing countries. To minimize the adverse effects of the excessive volatility on price stability and financial stability, short term additional monetary tightening has been implemented, mainly via open market operations. In addition, the CBRT has announced that unsterilized intraday foreign exchange selling auctions could be held when deemed necessary.

In this context, on 11 June 2013, the CBRT started to hold intraday foreign exchange auctions of USD 50 million when deemed necessary. On 20 June 2013, the Bank decided that the amount that would be sold at each intraday auction would be set and announced individually by the CBRT and the full amount of offers received would be met up to the auction amount.

In line with the Monetary Policy Committee decision held on 18 June 2013, it was announced that only one intraday foreign exchange selling auction would be held on the days on which funding was provided from the policy rate within the limits set by the MPC. In this respect, the minimum auction amount was set as USD 150 million on 24 June 2013. However, the minimum auction amount was decreased to USD 50 million and the maximum bidding amount for each bank was decreased from 20 to 10 percent of the total auction amount on 2 July 2013.

Foreign exchange selling auctions have been terminated on days of additional monetary tightening since 24 July 2013.

The intraday foreign exchange selling auction time was changed to 4.30 p.m. on 1 August 2013. On 21 August 2013 the Bank announced that the additional monetary policy tightening would continue to be implemented every day until further notice and the minimum auction amount would be USD 100 million during additional tightening days.

The Bank announced on 22 August 2013 that the daily minimum sale amount for the FX selling auctions held on each of the remaining additional monetary tightening days at 4.30 p.m. will be announced at 10.30 a.m. Further, the Bank made public that the announced minimum sale amount might be revised upwards only once within the day if deemed necessary and the minimum FX selling amount announced for the latest auction of the additional monetary tightening period would be valid also for the first normal trading day that would succeed the period of additional monetary tightening.

As of 20 September 2013, the intraday foreign exchange selling auction amount has been changed to minimum USD 20 million on regular funding days.

The foreign exchange selling auction amount has been changed to minimum USD 50 million, since 11 December 2013. The Bank announced on 20 December 2013 that the foreign currency sales amount might be raised up to 10 times of the announced minimum amount on days when the exchange rates exhibited excessive volatility.

The Bank announced on 24 December 2013 that the minimum foreign exchange selling auction amount would be USD 450 million every day for the rest of December 2013 and USD 100 million every day in January 2014. Thereby a minimum of USD 6 billion would be provided via foreign exchange selling auctions until the end of January 2014.

### 2.2.3. Reserve Requirement Ratios

The CBRT continues to use reserve requirements as a monetary policy and macroprudential instrument.

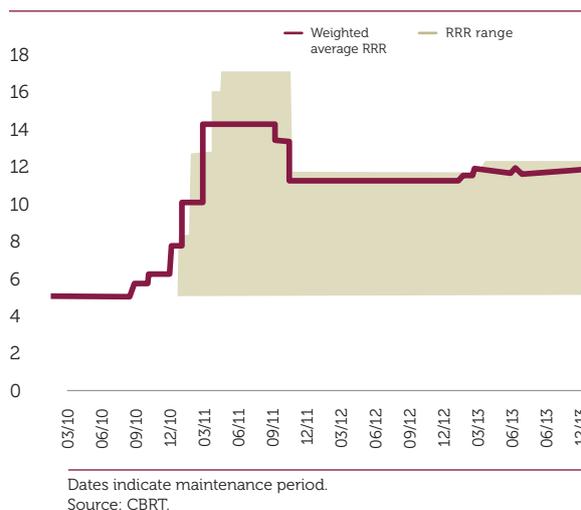
In order to promote the extension of the maturity of liabilities of the Turkish banking system, revisions were made in the reserve requirement ratios in 2013. Turkish lira reserve requirement ratios were raised gradually by 0.5 percentage points for all liabilities with a maturity of up to one year (Graph 21).

FX reserve requirement ratios were raised gradually by 0.5 percentage points for deposits with maturities of up to one year and other liabilities excluding longer than three-year maturity (Graph 22).

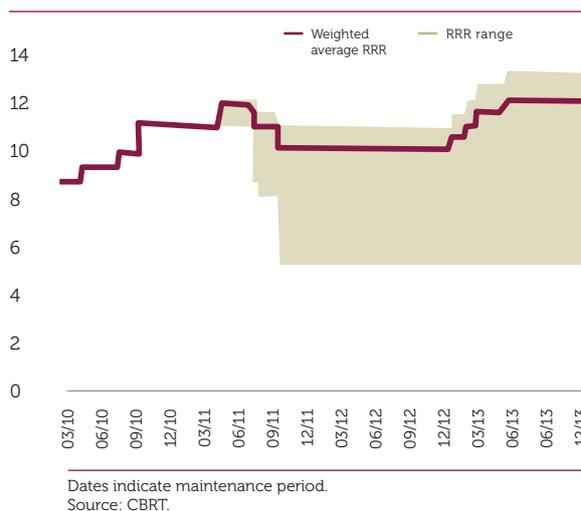
The arrangements elevated the weighted average reserve requirement ratios for Turkish lira and FX to 11 percent and 11.9 percent, respectively.

In order to simplify the structure of reserve requirements, immaterial items that had no direct effect on the monetary policy and that reduced the efficiency of operational process were exempted from the scope of reserve requirement liabilities with the Communiqué on Reserve Requirements No. 2013/15 published in the Official Gazette of 25 December 2013, No. 28862. Thus, a new approach was adopted in calculation of reserve requirements, directly taking into account the items that are subject to reserve requirements, instead of subtracting certain items from total domestic liabilities. The arrangement took effect as of the calculation period of 17 January 2014.

Graph 21. TL Reserve Requirement Ratios (Percentage)



Graph 22. FX Reserve Requirement Ratios (Percentage)



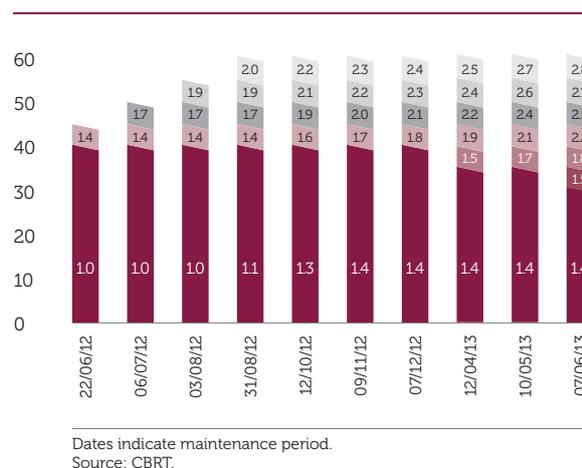
Considering the recent rise in credit volume and credit growth, especially in retail automobile loans, which significantly outpaced that of the banking sector and with a view to ensuring a sound monitoring of the credit channels of the non-bank sector as a requisite to financial stability, the financing companies were included in the reserve requirement coverage with the Communiqué on Reserve Requirements No. 2013/13 that became effective as of the calculation period dated 6 December 2013. With the Communiqué No. 2013/14, the ROM facility that allowed banks to keep their Turkish lira required reserves in foreign exchange or in gold became applicable to financing companies and any liabilities that they had before 4 October 2013 were excluded from reserve requirement coverage until the end of their maturity.

Throughout 2013, to complete the establishment process and thereby enhance the efficiency of the ROM, the tranches of 30 - 35 percent and 35 - 40 percent were added to the FX reserve option ratios and FX reserve option coefficients (ROC) were increased gradually except for the first tranche. Also the tranches of 15-20 percent were added to the gold reserve option ratios. Moreover, except for the first tranche, gold ROCs were increased by 0.1 percentage points in March and April. By the end of 2013, the coefficients corresponding to the last tranches of the FX and gold reserve options stood at 2.8 and 2.5, respectively (Graphs 23 and 24).

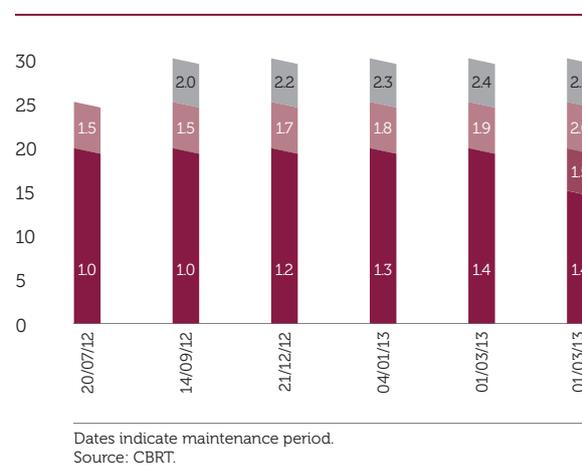
Banks use the ROM facilities widely and consistently. As of the maintenance period of 20 December 2013, the utilization ratio of the FX facility was 84 percent, and that of the gold facility reached 89 percent across the sector. Banks can also maintain standard gold for precious metal deposit accounts, the utilization ratio of which is around 74 percent.

The leverage-based reserve requirements system that controls the indebtedness of banks was put into effect in 2013 for monitoring purposes and will be gradually widened until the last quarter of 2015. Banks that raise the indebtedness to excessive levels might be subjected to additional reserve requirements. The leverage ratio of the sector amounted to around 7.5 percent in 2013. As per the arrangement, an additional reserve requirement of 1 to 2 percent in three stages was imposed on the banks with an average 3 to 3.5 percent leverage ratio in the last quarter of 2013 to be effective as of the second quarter of 2014.

Graph 23. ROCs for Required Reserves Held in FX



Graph 24. ROCs for Required Reserves Held in Gold



## 2.2.4. Export Rediscount Credits

Export rediscount credits are extended in Turkish lira through the Export Credit Bank of Turkey, Inc. (Türk Eximbank) and commercial banks by the acceptance of foreign exchange bills, whereas repayments to the CBRT are made in foreign exchange.

With the amendments made to Article 45 of the CBRT Law, the 120-day limitation for the maximum maturity of bills to be accepted for rediscount was abolished and the CBRT was authorized to define the types of commercial papers and collaterals that could replace one of the signatures and other terms including maturity.

Taking into account the contribution of export rediscount credits to the decrease in the current account deficit and the increase in the CBRT's foreign exchange reserves, the credit limits were increased by USD 6 billion to USD 12 billion on 15 August 2013.

Moreover, with the revisions made in the regulations on export rediscount credits in August and November 2013,

- i) The maximum maturity of bills to be accepted for rediscount was extended from 120 days to 240 days.
- ii) The credit limit for foreign trade capital companies was increased from USD 120 million to USD 240 million; the limit for other types of companies was raised from USD 90 million to USD 180 million; whereas, the entire limit can be used for credit applications with a maturity up to 120 days and a maximum 50 percent of the limit can be used for credit applications with a maturity of 121-240 days.
- iii) The interest rate to be applied to export rediscount credits with a maximum maturity of 120 days is the monthly LIBOR or EURIBOR interest rate; the interest rate to be applied to export rediscount credits with a maturity of 121-240 days is the 6-month LIBOR or EURIBOR rate plus 20 basis points.
- iv) In order to decrease the credit costs of exporters, the CBRT has started to accept bills with two signatures instead of the third signature by a commercial bank as a guarantee, provided that a transferable letter of credit is submitted.

Export rediscount credit extensions, which were USD 10.5 billion in 2012, increased by around 50 percent to USD 15.1 billion as of 31 December 2013, with an outstanding balance of USD 6.2 billion.

As a result, export rediscount credits contributed USD 12.7 billion to the CBRT's net foreign exchange reserves in 2013.

## 2.3. Financial Stability Developments

Due to the supportive monetary policies put into effect since the global financial crisis, more favorable upturn signals have started from advanced countries in 2013. Despite this upturn, the recovery trend in the US economy has not stabilized and the problems in the functioning of the monetary transmission mechanism and public finance in Euro area have not been solved yet. In addition, the slowdown in the growth rate of emerging economies, which were the driving force of growth in the post-crisis period, has also emerged as a risk factor.

The statements made by the Fed in May 2013 led to a perception in the markets that the accommodative monetary policy implemented by the Fed came to an end and caused a global repricing of financial assets. Hence, long term US Treasury bond yields registered a significant rise while emerging economies experienced capital outflows from their currency and bond markets. At the September meeting, contrary to expectations, the Fed decided to maintain the bond buying program and thereby the normalization in the US monetary policy was postponed for a while. Consequently, in the subsequent weeks, volatility in the markets edged down and the losses from the foreign exchange and bond markets of emerging economies were partially compensated.

Increased uncertainties over global monetary policies as of the second quarter of 2013 have led to capital outflows from emerging market economies including Turkey. Although financial and non-financial sectors had no trouble borrowing from abroad, the recent volatility in portfolio flows to Turkey was higher than that experienced during the Euro area debt crisis in 2011.

The current account deficit makes the domestic economy more vulnerable to capital flows. Even if a slight deterioration was observed as of the first quarter of 2013, in the current account deficit due to the increase in imports demand as a result of revival in domestic demand, this deterioration was mainly driven by the gold trade. The recovery in the current account deficit excluding gold is expected to continue in the period ahead. Factors other than portfolio flows did not display a notable change in financing the current account deficit, which alleviates concerns over its financing.

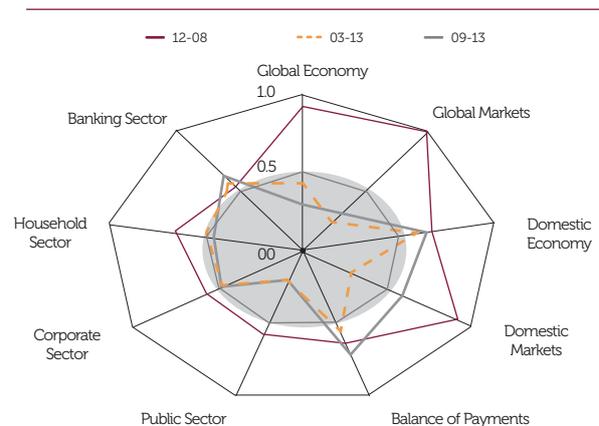
The CBRT and other relevant authorities have continued to take the necessary structural measures to reinforce the strength of the financial system as well as to reduce its vulnerability to cyclical conditions. Accordingly, financing companies have been included in the reserve requirements coverage and regulatory actions have been taken to promote the utilization of export rediscount credits. The leverage-based reserve requirement practice, which is currently being monitored, will actually be implemented as of 2014. In this period, the Banking Regulation and Supervision Agency (BRSA), in line with its

objective of boosting domestic savings and directing them to efficient fields, has launched regulations to restrain the growth in consumer loans, which will turn the loan breakdown in favor of corporate loans. The BRSA has continued its endeavors to harmonize national legislation and regulations with Basel III. These regulations are essential for financial stability as they enhance the resilience of the banking system's capital structure against shocks and reduce the cyclical volatility of loans.

The Turkish banking sector, which has significantly increased the utilization of non-deposit funding sources recently and posted a loan-to-deposit ratio above 110 percent, was able to renew its external debts at reasonable costs in the period after May 2013. The foreign currency liquid assets of the sector are at a level that can cover almost half of its short-term external debts, implying that its financial structure is resilient against short-term external shocks.

The macro display chart below shows a schematic reflection of developments regarding financial stability. In the last six-month-period, while the global economy has developed in a positive direction, global markets have deteriorated slightly (Graph 25). In the same period, the volatility in exchange rates and interest rates has increased in line with the volatility in global capital flows. However, the positive outlook in corporate and banking sectors has continued in addition to the economic recovery in households.

Graph 25. Financial Stability Map<sup>1,2</sup>



(1) Getting closer to the core means that the contribution of the related sector to financial stability has increased on the positive side. The analysis allows a historical comparison within each sub-sector. A cross-sector comparison is available only in terms of the direction of the change in the positioning as to the core.

(2) For the methodology used in the macro display of financial stability, see the Financial Stability Report (FSR) v.13, November 2011-Special Topic IV.10.

## 2.4. Financial Infrastructure

### 2.4.1 Restructuring of Organizational Structure Regarding Payment Systems

With the publication of the "Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions" No. 6493 in the Official Gazette on 27 June 2013, the duties and responsibilities of the CBRT in this area increased. To fulfill these duties and responsibilities more effectively, the organizational structure of CBRT was changed and the Payment Systems Department was established on 4 November 2013 to carry out the activities in this area under a single roof. The Payment Systems Department consists of the Regulation and Oversight Division, the Payment Transactions Division, the Payment Systems Operation Division and the Research and Business Development Division.

As a result of the projects developed by the Bank's own resources, the technical and application infrastructures of the payment systems have been completely renovated, and modern, flexible and modular systems equipped with new features and functionalities have been provided. Because the new systems have been developed by the Bank's own resources, higher levels of business continuity will be obtained as a result of reduced problem intervention and resolution times, service requirements and change requests will be met more quickly with lower costs, and new systems and workflows will be designed more functionally and efficiently.

### 2.4.2 Restructuring of Payment Systems

In accordance with the plan of Restructuring of CBRT Payment Systems and followed by the completion of Participant Interface System (PIS), the Auction System and Retail Payment System in 2012, the third generation of the EFT System, the so-called Interbank Turkish Lira Payment and Settlement System, and the second generation of the Electronic Security Transfer and Settlement System were successfully put into service on 12 July 2013.

Within the scope of this project, the component that manages the participant connections, PIS, has been restructured due to the requirements imposed by the new settlement systems; the infrastructure for the management of digital certificates used for encryption and digital signature purposes has been renewed; the Emergency Case Software Package has been updated to cover all the processes, and a new service that provides users with a setting over the internet for the update and publication of bank and branch information has been developed.

### 2.4.3 Usage Statistics of the CBRT Payment Systems

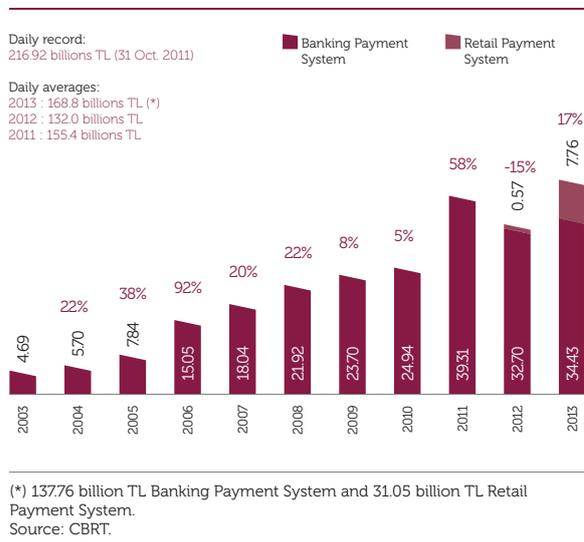
The yearly total amount reached in the Banking Payment System and Electronic Securities Transfer and Settlement System was 34.43 trillion Turkish liras, with a maximum daily amount of 216.92 billion Turkish liras obtained on 31 October 2011 (Graph 26). This value was not passed in 2013. The average daily amount of transactions was 137.76 billion Turkish liras in 2013. The number of transactions handled in the system was 2.4 million in 2013. The average daily number of messages was 9,991 in 2013. The daily number of transactions hit a peak of 18.936 on 21 October 2013.

The Retail Payment System began operating on 7 December 2012. The total amount reached 776 trillion Turkish liras. The maximum daily amount was 64 billion on 28 June 2013 and the average daily amount was 31.05 billion Turkish liras. The number of transactions handled in the system was 229.56 million and the average daily number of messages was 918,276. The daily number of transactions hit a peak of 2,211,320 on 16 December 2013 (Graph 27).

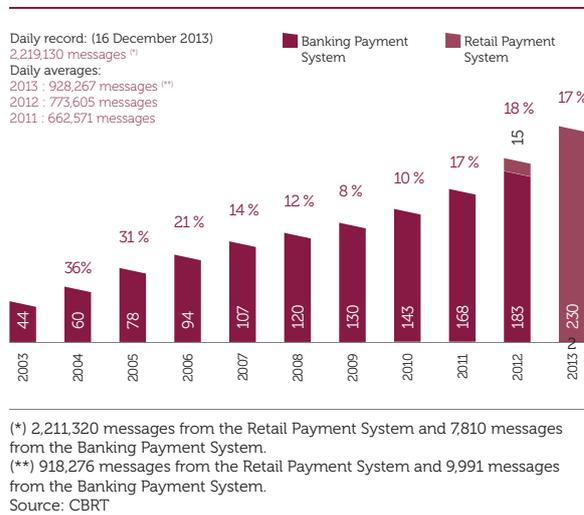
The number of transactions handled in the Auction System was 635,850.

The number of participants in CBRT Payment Systems was 50 as of end-2013.

Graph 26. Value of Transactions in CBRT Payment Systems (Trillion TL)



Graph 27. Volume of Transactions in CBRT Payment Systems (Million Messages)



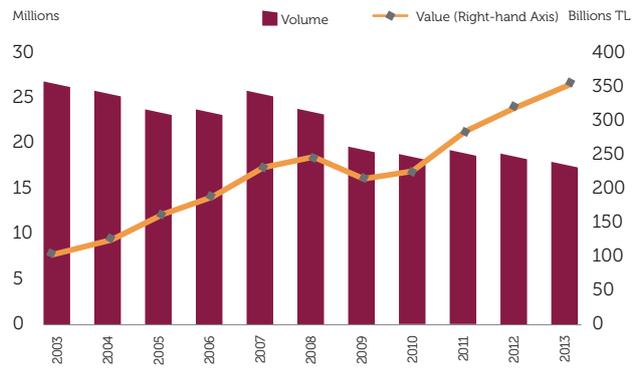
## 2.4.4 Cheque Clearing System

The Interbank Clearing Houses Center (ICH) performs its activities in Ankara and İstanbul Clearing Houses under the oversight of the CBRT.

The smooth and uninterrupted handling of the cheque clearing process, which plays a vital role with regard to payment systems, is of utmost importance. Therefore, with the aim of enhancing the quality and efficiency of services offered, technological developments and current needs are taken into consideration and required improvements are made.

The volume and value of cheques cleared in the ICH in 2012 were 18.5 million and 316.8 billion Turkish liras, respectively. In 2013, the volume of cheques cleared was 17.2 million and the value increased to 349.9 billion Turkish liras (Graph 28).

Graph 28. Cheques Cleared in the Interbank Clearing Houses Center



Source: ICH

## 2.4.5 Legislative Developments Regarding the Payment Systems

To support the legal infrastructure regarding the payments area in accordance with the European Union (EU) Acquis and international standards, a draft proposal of the payment systems law was prepared. The preparation duty was assigned to the CBRT in the 2008 National Programme of Turkey. The “Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions” No. 6493 entered into force on 27 June 2013 via publication in the Official Gazette No. 28690. Also, work on the secondary legislation regarding the law proceeded.

## 2.5. Transfer of CBRT Risk Center Activities to the Banks Association of Turkey - Risk Center

### 2.5.1. Transfer of CBRT Risk Center Activities to the Banks Association of Turkey-Risk Center

The process on how the Credit Bureau will operate the risk center activities on behalf of the Banks Association of Turkey-Risk Center - established by Law No. 6111 dated 13 February 2011- in the first half of 2013 has been set according to a timetable.

In this context, following the completion of the infrastructure anticipated in the protocol which was signed between the BAT, the Credit Bureau and the CBRT, the Credit Bureau took over the risk center database of the CBRT on 24 January 2013. The Credit Bureau and the Risk Center of the CBRT collected data from member institutions simultaneously, consolidated data per clients (individuals and firms) and produced reports for the test period of January, February and March 2013. After controlling the conformity of the data and the reports produced by the CBRT and the Credit Bureau and being ascertained about the level of conformity anticipated in the protocol, the Risk Center database of the test period was transferred to the Credit Bureau in May, 2013 for the last time.

The Credit Bureau started its operation as an information sharing platform on behalf of the BAT-Risk Center on 28 June 2013. On that date the CBRT Risk Center activities ended.

### 2.5.2. Monitoring the Banks Association of Turkey-Risk Center Database

The BAT-Risk Center is stipulated to provide data when demanded by the BRSA and the CBRT in demanded format and content according to the "Banking Law No. 5411 (Additional Article 1 /3)" and "Regulation on The Risk Center (Article 14)".

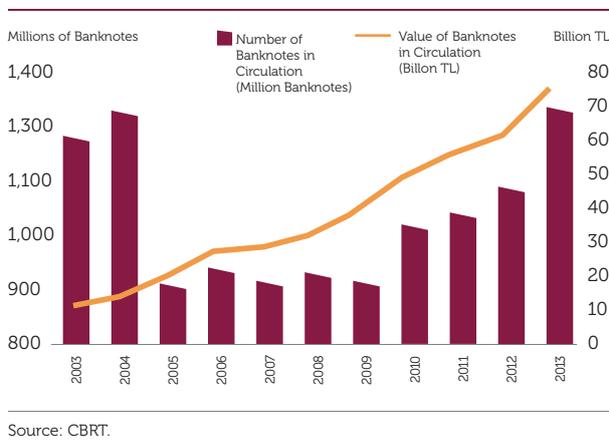
In this context, the Credit Bureau provides the secured information-sharing system and allows connections easily from the CBRT to the Credit Bureau to query specific data and/or to prepare consolidated reports the CBRT needs. The connection has been available since November 2013.

## 2.6. Currency in Circulation

The value of banknotes in circulation increased by 23.6 percent and stood at TL 74.8 billion in 2013. The total number of the banknotes in circulation rose by 15.5 percent and reached 1,315.7 million banknotes at the end of 2013. From 2004 to 2013, the average annual growth rate of banknotes in circulation was 22.1 percent in terms of value and 1.3 percent in terms of number. In the same period, the average growth rate of the number of banknotes in circulation was 1.3 percent, mainly because of the introduction of higher denominations during the first and the second phases of the currency reform that took place in 2005 and 2009, respectively (Graph 29).

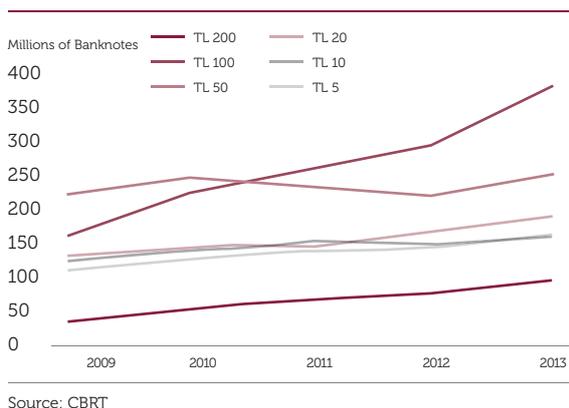
Excluding withdrawn banknotes which are still in the redemption period, 1,211.7 million banknotes were in circulation as of 31 December 2013. In terms of number, 100 Turkish lira and 50 Turkish lira banknotes accounted for the largest shares of banknotes in circulation (Graph 30). The share of these denominations is 47.2 percent. In terms of value, 100 Turkish lira and 200 Turkish lira banknotes accounted for the largest shares, standing at 50.3 and 24.8 percent respectively at the end of the year (Table 2).

Graph 29. Value and Number of Banknotes in Circulation



Source: CBRT.

Graph 30. Number of Banknotes in Circulation (Millions of Banknotes)



Source: CBRT

Table 2. Banknotes in Circulation (as of 31 December 2013)

Denomination	Amount	Share (Percent)	Pieces	Share (Percent)
TL 200	18,584,779,900.00	24.84	92,923,899.5	7.06
TL 100	37,633,392,750.00	50.30	376,333,927.5	28.60
TL 50	12,240,000,800.00	16.36	244,800,016.0	18.60
TL 20	3,628,668,870.00	4.85	181,433,443.5	13.79
TL 10	1,577,042,985.00	2.11	157,704,298.5	11.99
TL 5	792,679,602.50	1.06	158,535,920.5	12.05
<b>SUB TOTAL</b>	<b>74,456,564,907.50</b>	<b>99.52</b>	<b>1,211,731,505.5</b>	<b>92.09</b>
Others <sup>(*)</sup>	358,024,820.25	0.48	104,013,986.0	7.91
<b>TOTAL</b>	<b>74,814,589,727.75</b>	<b>100.00</b>	<b>1,315,745,491.5</b>	<b>100.00</b>

(\*) Banknotes that are still in the 10-year redemption period.

Source: CBRT

The ratio of the annual average value of banknotes in circulation to GDP was 2.3 percent in 2004. After the first stage of the currency reform, this ratio grew by an average 7.4 percent annually and reached 4.4 percent at the end of 2013 (Graph 31).

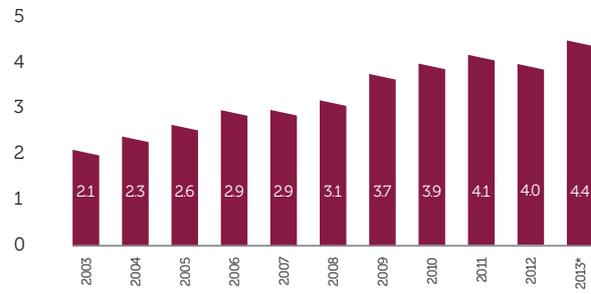
In 2013, a total transaction of 549.8 billion Turkish liras, (267.8 billion Turkish lira deposits vs. 282 billion Turkish lira payments), was executed through 21 branches, 16 banknote depots and 2 cash centers.

Moreover, in 2013, 30.9 billion Turkish lira deposits and 33.4 billion Turkish lira payment transactions were made in banknote depots, which have been established in 16 cities where the Bank does not have branches, with the objective of improving banknote quality and meeting various cash demands of the market on time. In other words, 11.7 percent of the Bank's total transaction volume in 2013 was made through the banknote depots.

The European Side Cash Center that was established as a sub-division of the İstanbul Branch in 2012 received 37 percent share in total volume of İstanbul cash operations in 2013. The Anatolian Side Cash Center's share was 31.1 percent. During this period, European and Anatolian Side Cash Centers had shares of 10.7 and 9 percent in total transaction volume and performed as the second and fourth largest branches among all branches, respectively.

The E-9 Emission Group II. Series 100 Turkish lira, 20 Turkish lira and 10 Turkish lira banknotes were put into circulation on 24 December 2012. The II. Series 200 Turkish lira, 50 Turkish lira and 5 Turkish lira banknotes were put into circulation as of 8 April 2013 and the dominant color of the 5 Turkish lira banknote was determined as "purple". These banknotes, apart from the changes in signatures and color of the 5 Turkish lira banknotes, are identical to the I. Series banknotes in terms of their dimensions, obverse and reverse compositions, general features and appearance.

Graph 31. Annual Average Value of Banknotes in Circulation/GDP (Percentage)



(\*) 2013 GDP data are annualized by using the nine-month-data.  
Source: CBRT, TURKSTAT

## 2.7. Foreign Exchange Reserve and Risk Management

The CBRT holds foreign exchange reserves in support of a range of objectives which include assisting the Turkish Government in meeting its foreign exchange denominated domestic and foreign debt obligations, maintaining foreign exchange liquidity against external shocks, supporting the monetary and exchange rate policies and giving confidence to the markets. The legal basis for the CBRT's reserve management practices derives from the CBRT Law No. 1211. Additionally, guidelines and decisions made by the Board based on the authority granted by the Law constitute the other basis of the foreign exchange and gold reserve management practices.

The institutional decision-making framework of reserve management has a three-tier hierarchical structure. The Board, as the top decision-making authority of the CBRT, determines the general investment criteria for reserve management by approving the Guidelines for Foreign Exchange Reserve Management that are prepared in accordance with the reserve management priorities set by the Law as security, liquidity and return, respectively, and authorizes the Executive Committee and the Foreign Exchange Risk and Investment Committee (FXRIC) to make decisions regarding implementation. The decisions made by the Executive Committee and FXRIC in accordance with the Guidelines for Foreign Exchange Reserve Management approved by the Board constitute the second-tier of the institutional decision-making process. At this stage, the benchmark portfolio, which reflects the general risk tolerance and investment strategy of the Bank, is determined and approved. According to the strategic asset allocation preferences of the Bank, the benchmark portfolio is determined by the FXRIC at each year-end to be implemented in the following year and

becomes effective with the approval of the Executive Committee. The last tier of the institutional decision-making process is the implementation of reserve management practices within the limits specified by the Guidelines and the benchmark portfolio. Reserve management activities are carried out within an organizational structure formed in accordance with the separation of duties principle. Accordingly, reserve management activities are performed by the Foreign Exchange Transactions Division whereas risk management related to the reserve management operations is carried out by the Foreign Exchange Risk Management Division.

Based on the objectives and limits set by the Guidelines and the benchmark portfolio, reserve management operations are carried out through spot and forward purchases and sales of foreign exchange in international markets, other derivative instruments, time deposit transactions, purchase and sale of securities, repo and reverse repo transactions, securities lending transactions, export and import of foreign exchange banknotes, and transportation of foreign exchange banknotes in the country among local branches.

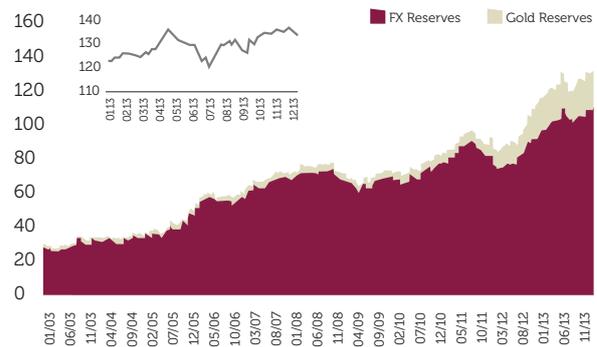
Gold reserves of the CBRT, which are of international standards, are managed within the regulations and constraints stated in the Law and the guidelines set by the Board. Pursuant to these Guidelines, the CBRT may conduct outright purchase and sale transactions, gold deposit transactions and gold swap transactions. According to the new regulation effected from October 2011, Turkish commercial banks have an option to fulfill a certain portion of their reserve requirements with standard gold. In this respect, gold holdings have risen to 520.1 tons and gold reserves constitute 15.9 percent of total reserves as of 27 December 2013 (Graph 32).

Controlling risks that the CBRT is exposed to during reserve management operations starts with the strategic asset allocation process; in other words, when defining the benchmark portfolio. Once the currencies and instruments to be used in reserve management and the duration target for the investments are set, the expected return and financial risks involved in reserve management are also determined to a great extent. Reflecting the Bank's preferences regarding strategic asset allocation, the benchmark portfolio consists of the target currency composition, duration targets and related deviation limits from these targets, the number and size of sub-portfolios to be held in major reserve currencies, overall credit risk limits and the investment universe representing eligible transaction types, countries and instruments to invest in. The aim in determining the benchmark portfolio is to ensure that an adequate return is obtained while observing capital preservation and liquidity constraints to devote the utmost importance to the prudent management of foreign exchange reserves, hence the national wealth of the country. After the overall acceptable risk level is defined with respect to the CBRT's risk tolerance through the benchmark portfolio, the existing risks are measured, monitored and reported regularly.

Despite positive signs of global economic recovery, the continuing impacts of the global financial crisis witnessed in previous years played an important role in determining the CBRT's reserve management strategies in 2013. In this context, as the financial risks remained elevated in 2013, the conservative approach continued and all necessary measures have been taken to preserve the value of reserve assets.

In brief, reserve and risk management practices have been performed in line with contemporary practices by taking into account the CBRT's own requirements and theoretical and technical progress in reserve and risk management practices together with developments in the international economy and financial markets.

Graph 32. Foreign Exchange Reserves of the CBRT (Billion USD)



Source: CBRT

## 2.8. European Union Harmonization Activities

The screening process comprising the first phase of accession negotiations with the EU was started on 3 October 2005 and completed on 13 October 2006. Upon the completion of the screening process, preparations for harmonization with the EU acquis have continued.

The table below shows developments on the relevant chapters, in which the Bank participated in the screening process as well as in the accession negotiations.

Among the chapters that are directly related to the Bank, Chapters "18. Statistics" and "32. Financial Control" were opened to negotiations on 26 June 2007 and Chapter "4. Free Movement of Capital" was opened to negotiations on 18 December 2008. Chapter "9. Financial Services" is one of the eight chapters which have been blocked by the decision "negotiations will be blocked until Turkey fully implements its obligations on Cyprus" given at the EU summit on 14-15 December 2006. However, under the harmonization scope of this chapter, the Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions (Law No: 6493) entered into force on 27 July 2013. This Law will also provide harmonization with the relevant EU legislation in Chapter "4. Free Movement of Capital". Of the chapters that are directly related to the Bank, Chapter "17. Economic and Monetary Policy" was not opened to negotiations. Chapter "33. Financial and Budgetary Provisions" is still under review by the Council.

Since the technical negotiations with the European Commission, three of six closing benchmarks for Chapter "32. Financial Control" have been fulfilled. Among these three, "The legislative and administrative alignment with the Council Regulation (EC) No: 1338/2001, arranging the protection of the euro from counterfeiting" is the one that the Bank has contributed to. Among chapters which are indirectly related to the Bank, Chapter "28. Consumer and Health Protection" was opened to negotiations on 19 December 2007, Chapter "6. Company Law" on 17 June 2008 and Chapter "16. Taxation" on 30 June 2009. However, following a long hiatus, a new Chapter "22. Regional Policy and Coordination of Structural Instruments" was opened on 5 November 2013. Opening benchmarks have been established for Chapter "19. Social Policy and Employment". Chapter "2. Free Movement of Workers" is still under review by the Council.

In order to monitor the progress achieved in alignment with the EU acquis and to report the progress to the Commission, the Bank continues to provide information on the developments in the related chapters to the "National Data Base", compiled at the Ministry for EU Affairs.

The Bank made a contribution to the "2013 Progress Report prepared by Turkey" which was produced for the first time this year by the Ministry for EU Affairs.

**Table 3. The Status of the Chapters in which the Bank Participated in the Screening Process and Accession Negotiations**

Directly Related Chapters	Final Status in Negotiations	Indirectly Related Chapters	Final Status in Negotiations
<b>4. Free Movement of Capital</b>	Opened to negotiations. (18 December 2008)	<b>2. Free Movement of Workers</b>	In process at the Council.
<b>9. Financial Services</b>	Opening of the chapter was blocked. (14-15 December 2006)	<b>6. Company Law</b>	Opened to negotiations. (17 June 2008)
<b>17. Economic and Monetary Policy</b>	Position Paper was presented. (9 March 2007)	<b>16. Taxation</b>	Opened to negotiations. (30 June 2009)
<b>18. Statistics</b>	Opened to negotiations. (26 June 2007) Within the context of Positive Agenda	<b>19. Social Policy and Employment</b>	Opening benchmarks have been defined.
<b>32. Financial Control</b>	Opened to negotiations. (26 June 2007) Within the context of Positive Agenda	<b>22. Regional Policy and Coordination of Structural Instruments</b>	Opened to negotiations. (5 November 2013)
<b>33. Financial and Budgetary Provisions</b>	In process at the Council.	<b>28. Consumer and Health Protection</b>	Opened to negotiations. (19 December 2007)

## 2.9. Communication Policy and Activities

An efficient communication policy, accompanied by transparency, not only contributes to the effectiveness of central bank policies, but is also crucial for the central bank to keep accountability promises emanating from central bank independence. In 2013, the CBRT continued to give special emphasis to communication and transparency with a view to enhancing public confidence in the Bank as well as in its policies and to reinforcing the effectiveness of these policies.

Article 42 of the CBRT Law explains the regulations on the principle of accountability. In accordance with Article 42, Governor Erdem Başçı delivered a presentation on the economic outlook and monetary and exchange rate policy implementations before the Council of Ministers on 27 May 2013, and shared a presentation on the same topics with the Planning and Budget Commission of the Grand National Assembly of Turkey on 15 July 2013.

As required by the principle of accountability, in 2013, the CBRT continued to publish its analytical balance sheet daily on its website, as well as issue a report to make the results of the independent audits of the Bank balance sheet and income statements public. To serve the same objective, the CBRT also disclosed the rationale and consequences of its policy decisions via regular reports and presentations throughout the year.

Under the current monetary policy implementation, the MPC decisions and Inflation Reports are the main communication tools of the CBRT. Accordingly, Inflation Reports were announced at press conferences by Governor Erdem Başçı on 29 January 2013 and on 30 July 2013 in Ankara and on 30 April 2013 and 31 October 2013 in İstanbul. Via these Inflation Reports, the Bank informed the public about its general evaluations on international economic developments, inflation, supply and demand developments; financial markets, financial intermediation and public finance as well as medium term inflation and output gap forecasts.

In 2013, the Bank continued to post on its website MPC decisions on short-term interest rates and other monetary policy instruments as well as the summaries of the MPC meetings. On 24 December 2013, the CBRT shared with the public the Monetary and Exchange Rate Policy to be implemented in 2014, and announced that the text of Monetary and Exchange Rate Policy for 2015 would be released on 10 December 2014. The CBRT also informed the public throughout 2013, via press

releases about the Bank's main activities and the changes in implementations that are of high public concern.

In order for the public to better understand monthly inflation developments in the period between the issue of the official price statistics and the MPC meeting, the Bank continued to issue the Monthly Price Developments Report the day following the release of the inflation figures.

The CBRT, which safeguards financial stability along with its primary objective of price stability, issued the *Financial Stability Reports* on its website on 30 May 2013 and 28 November 2013 in accordance with its pre announced calendar of data release. The Financial Stability Report includes an analysis of the most recent developments on the financial stability front both in Turkey and around the world as well as various studies and research conducted in the financial system.

With an aim of promoting the Bank and its policy implementations, the CBRT prepared several publications in 2013 and released them in both print and electronic formats. Two booklets, Monetary Transmission Mechanism and Inflation and Price Stability were published in 2013 and disseminated to banks, universities' economics departments, libraries, non-governmental organizations and various other institutions in Turkey. The CBRT also continued to publish the quarterly CBRT Bulletin, which informs different segments of the public about its policy implementations as well as its corporate structure, activities and publications. The Bulletin reaches a wide audience in Turkey and abroad and is also accessible on the CBRT's website.

In the form of direct communication, in 2013, Governor Erdem Başçı delivered various speeches and presentations in Turkey and abroad, introducing the policies and implementations of the Bank and analyzing current economic developments. Within this scope, Governor Başçı made presentations about the economic outlook and monetary and exchange rate policies at conferences that were open to the press and held by chambers of commerce and industry in Mardin (3 April 2013), Giresun (12 June 2013), Denizli (24 September 2013) and Gaziantep (11 December 2013). The Governor also explained CBRT's policies at events organized by various non-governmental organizations as well as at international meetings and conferences. Additionally, Governor Başçı participated in Anadolu Agency's

Finance Desk program on 27 August 2013 and shared his views on the economic outlook and monetary policies. Presentations and speeches delivered by the Governor, MPC members and senior Bank management and videos of some of the Governor's speeches are available on the CBRT website.

As part of its communication policies, the Bank has been holding meetings closed to the press since May 2011 in response to requests from bank economists for meetings on a technical level. These meetings, held in the presence of the MPC members as well as the representatives from relevant departments, start with a presentation on the latest macroeconomic developments, by either the Bank's Chief Economist or the Executive Director of the Research and Monetary Policy Department. This presentation is followed by a question-answer session, where members of the MPC answer questions from economists. A total of 10 meetings were held in Ankara in 2013, attended by 450 Turkish and foreign economists and analysts. The presentations delivered in these meetings are posted on the Bank's website under the Remarks/Technical Presentations menu.

The CBRT continued to use its website, its major means of communication, efficiently and effectively in 2013 and had an average of 121,000 hits per day on weekdays. Visitors accessed approximately 9.2 million pages in 2013. Press Releases on Interest Rates, Financial Stability Reports, Inflation Reports and Summaries of the MPC Meetings were the most frequently viewed.

Responding to demands from universities as well as public agencies and institutions, the Bank organized informative programs both in the Bank's Head Office in Ankara and also outside Ankara in 2013. Through these programs, 17 groups of third and fourth year university students were informed about the history of the Bank, monetary and exchange rate policies and career opportunities.

In 2013, the CBRT continued to respond to requests for information via its electronic mail address, [iletisimbilgi@tcmb.gov.tr](mailto:iletisimbilgi@tcmb.gov.tr), which was introduced specifically to ensure communication with individuals, institutions and establishments outside the Bank, as well as through the Unit on the Right to Information and also BIMER (the Communication Center of the Prime Ministry), both established pursuant to the Law on the Right to Information. Throughout 2013, a total of 11,129 applications were responded to via the Right to Information System and 1,376 applications were answered via BIMER.

In addition, the CBRT held several informative activities in 2013 to encourage the use of *kurus* (Turkish coins) and increase savings awareness. These activities were intended to improve savings awareness all over the country via the widespread use of *kurus*. Accordingly, the CBRT set up a booth in the International Children's Festival organized by the TRT on 14-24 April 2013 in İzmir. The Bank distributed various materials to children designed by the CBRT that had the Turkish lira sign on them and emphasized concepts such as savings, *kurus*, money, piggy banks and banks. Children also watched cartoon films covering the same concepts in the CBRT's booth.

In the scope of the *kurus* campaign, the Bank also set up booths in the 2<sup>nd</sup> Child and Youth Finance International Summit on 7-9 May 2013, the 1<sup>st</sup> Financial Literacy and Access Summit on 22 May 2013 and the 5<sup>th</sup> İzmir Economic Congress on 30 October-1 November 2013.

Moreover, the Bank staff visited some elementary schools in Ankara, informed students on various subjects, distributed materials produced specifically for the campaign and showed them cartoon films. Also, the Bank sent campaign-related materials to 78 schools in 32 cities upon requests for education materials.

## 2.10. International Cooperation and Organizations

### 2.10.1. International Relations

The International Monetary Fund (IMF) made available an amount equivalent to SDR 6.7 billion to Turkey through the 19<sup>th</sup> Stand-By Arrangement approved on 11 May 2005. The purchase of the total amount was spread over the period between May 2005 and May 2008 and distributed in six installments. Turkey's debt to the IMF was terminated on 14 May 2013 with the last repayment of SDR 281 million. As a depository institution, the payment was carried out by the CBRT.

At the G-20 meeting held in Los Cabos on 19 June 2012, a number of emerging market countries, including Turkey, declared their intention to contribute to global financial stability by increasing the resources of the IMF. Within the framework of the IMF's press release no. 12/229 dated 15 June 2012, the CBRT would contribute to the IMF resources by up to USD 5 billion, to be counted as part of its international reserves. Following the discussions concerning the technical issues and legal proceedings of the contribution, a "Note Purchase Agreement" signed between the IMF and the CBRT became effective as of 17 October 2013. The IMF did not issue Notes for Purchase under this Agreement in 2013.

The G-20 has become the premier forum for international policy coordination with the global crisis. Hence, its agenda has been shaped in conjunction with the evolution of the crisis, particularly since 2009. Accordingly, the G-20 has taken steps to resolve the crisis and mitigate its impacts on the one hand and granted international determination to fulfill the gaps in the global financial architecture and to put the global economy onto a strong, sustainable and balanced footing in the following period on the other. One of the major areas to restructure the global architecture has been the strengthening of the financial regulation. The CBRT has been actively involved in these efforts, reflecting its crisis resolution experiences and articulating its views to shape the financial architecture in a balanced manner. In this context, the Bank reflects the perspectives of emerging countries that have a growing weight in the global economy.

Turkey will take over presidency of the G-20 in 2015, having joined the Troika in December 2013. During the Troika, Turkey will have the opportunity to lead discussions on the global economy. Governor Erdem Başçı is a member of the "G20 Presidency Guidance Committee", which was established by the Circular No: 28628 dated 25 April 2013, issued by the Prime Ministry to guide the preparations. Accordingly, the CBRT has started preparations for the 2015 Presidency term.

In 2012, the CBRT took important steps toward enhancing communication and technical cooperation with other central banks: First, a Memorandum of Understanding (MoU) was signed with Bundesbank on 22 March 2013 to extend the areas of cooperation among the two central banks. A MoU with a similar nature was signed with the Central Bank of Italy on 21 August 2013, hence an important step was taken in fostering cooperation. In line with these MoUs, high level dialogue will be established on issues related to monetary policy, mutual secondee visits will be performed and international organizations will be held. On 11 October 2013, a MoU was signed with the Central Bank of Afghanistan to enhance bilateral relationships and foster cooperation and information sharing in the field of central banking.

## 2.10.2. International Organizations

In order to promote Turkey on international economic platforms and foster mutual relations and cooperation with other central banks and international institutions, the CBRT organized meetings, seminars, workshops and conferences to discuss recent financial and economic topics.

In this context, organizations hosted by the CBRT which brought together leading academics and central bankers are as follows;

- G20 conference on "Global Finance in Transition" jointly organized with the Reinventing Bretton Woods Committee in İstanbul on 7-8 May 2013.
- ESSIM 2013 (European Summer Symposium in International Macroeconomics) jointly organized with the Centre for Economic Policy Research in İzmir on 21-24 May 2013.
- The Regional Payment Systems Workshop jointly organized by the Committee on Payment and Settlement Systems of the Bank for International Settlements (BIS) in Özdere, İzmir on 29 May-1 June 2013.
- Summer Workshop 2013 in İstanbul on 1-2 June 2013.
- Workshop on "Fourth OMFIF Main Meeting in Europe: The Role of Emerging Market Economies in Building World Prosperity" jointly organized with the Official Monetary and Financial Institutions Forum (OMFIF) in Ankara on 5-6 September 2013.
- Board Executive Committee Meeting of the International Liquidity Management Corporation (IILM) in İstanbul on 17 September 2013.
- Meetings on "4th Regional Consultative Group Meeting for Mena (Middle East and North Africa) jointly organized with the Financial Stability Board (FSB) in İstanbul on 26 September 2013.
- Conference on "Modelling International Linkages and Spillovers 2013" jointly organized with the European Central Bank in İzmir on 3-4 October 2013.
- Reserve Management Seminar on "What is Next for Official Sector Investors?" in İzmir on 8-10 October 2013.
- Workshop on "Central Bank Macroeconomic Modelling" in İstanbul on 6-9 November 2013.
- Seminar on "5th International Seminar on Central Banking Legislation-Finance and Law in Pursuit of Financial Stability" in Ankara on 13-14 November 2013.

Activities supported by the CBRT are as follows;

- Second Annual Child and Youth Finance International Summit organized in İstanbul on 7 May 2013.
- Southeast European Central Bank Governors Meeting organized in İstanbul on 8 May 2013.
- Annual Meeting of the EBRD Board of Governors organized in İstanbul on 9-11 May 2013.
- "Financial Stability, Growth and Monetary Policy" panel organized within the scope of the "İstanbul Finance Summit 2013" in İstanbul on 18 September 2013.

## 2.11. Research and Development Activities

In 2013, the Working Papers and CBRT Research Notes on Economics prepared by the CBRT staff were posted on the CBRT website as a reflection of the importance that the CBRT attaches to academic studies. Accordingly, 46 new publications were added to the CBRT Working Papers series that are composed of refereed research papers. In addition, 31 new notes were added to the CBRT Research Notes on Economics to disseminate the results from research in the Turkish economy with a particular emphasis on macroeconomic developments and issues relevant to monetary policy, and thereby contributing to discussions on economic issues in a timely fashion.

The CBRT's bi-annual refereed journal, the "Central Bank Review" covering topics such as macroeconomic stability, financial stability, liquidity management, payment, clearing and settlement systems and reserve management was published in four issues, one being a special edition, in 2013.

Concurrently, 20 of the articles prepared by the contributions of the Research and Monetary Policy Department staff were published in journals listed in the Social Sciences Citation Index. In 2013, 36 seminars were organized by the Research and Monetary Policy Department for participants from the Bank. In these seminars, presentations were given by lecturers from domestic and international universities, international organizations and fellow central banks.

Starting its activities officially on 30 April 2013, the Istanbul School of Central Banking (İMB) staff published 9 research papers; 4 of the papers were published in the CBRT Working Paper Series and 5 of the studies were published in the journals listed in the Social Sciences Citation Index.

In order to contribute to the Bank's knowledge, communication and bilateral cooperation by conducting studies and organizing research programs with central banks' economists, academics and expert researchers, the İMB organized 21 seminars, an international workshop titled "Summer Workshop 2013" and an international conference titled the "21<sup>st</sup> CEPR European Summer Symposium in International Macroeconomics 2013" jointly with the Centre for Economic Policy Research. Moreover, in 2013, the İMB hosted 16 researchers and central bankers within its visiting program. Economists from 8 different institutions joined the program designed to encourage studies on central banking.

In the Research-Development Laboratory, which was established in 2012 within the Banknote Printing Plant, research and development activities have been performed about high-quality raw materials, equipment, and technologies being used during the banknote production processes. In this regard, some research and studies have been conducted with universities for the refining and recycling of chemicals - the waste product of the production process. Application studies were done after a pilot plant was installed at the Banknote Printing Plant. Cooperative work has been performed with the National Research Centers regarding the security features used in the security printing, and relevant reports have been prepared. Some research was conducted to examine the possibility of producing some equipment used during the production process in the domestic market. Participation has been ensured in sectoral meetings and conferences, and developments have been closely monitored.

## 2.12. Training Activities

In 2013, 5,161 people participated in the training activities organized by the CBRT; 613 CBRT employees benefited from training activities organized by other institutions while 65 CBRT employees took part as speakers/lecturers in training activities organized by other institutions in Turkey and abroad.

### 2.12.1. Training Activities Organized by the CBRT

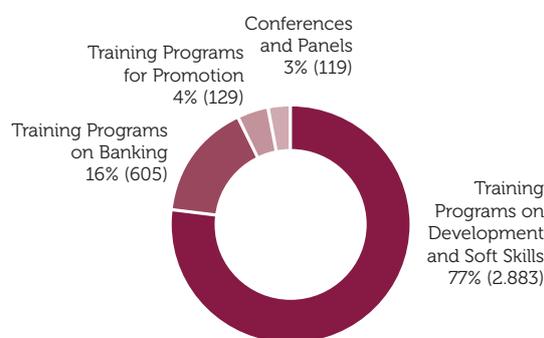
In 2013, 4,352 CBRT employees attended programs organized by the CBRT. These programs are categorized as: "Training Programs on Banking", "Training Programs on Development and Soft Skills", "Training Programs for Promotion" and "Conferences and Panels" (Graph 33).

For the "CBRT Introductory Program", 1,244 university students were enrolled in the internship program and given presentations about the CBRT. Moreover, 45 international students from the universities of Kazakhstan and Kyrgyzstan attended a one-month internship program at the CBRT. Also, 93 temporary staff and 43 participants from other institutions attended training programs organized by the CBRT (Graph 34).

### 2.12.2. International Training and Technical Cooperation Activities

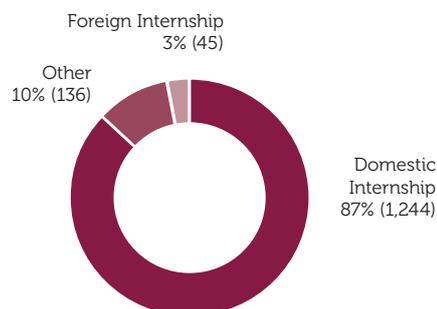
The İMB organizes international training activities on central banking issues with the participation of central banks and international institutions. To improve bilateral technical cooperation among our Bank, other central banks and international institutions, the İMB organized 7 international training activities in its first year. Out of a total of 7 training activities, 2 were held abroad. Specialists from the CBRT delivered a seminar on "Financial Stability: Turkish Perspective" for the officials at the Azerbaijan Central Bank in Baku and a seminar on "Risk Management" for the officials at Kyrgyzstan Central Bank in Bishkek in cooperation with the Statistical Economic and Social Research and Training Center for Islamic Countries (SESRIC). A course on "Introduction to General Equilibrium Models and Techniques" and a seminar on "Risk Management in Islamic Financial Institutions" in cooperation with the SESRIC were organized in Ankara for CBRT specialists and economists. An international course on "Formulation, Estimation and Policy Analysis with DSGE Models" and international seminars on "Short-term Forecasting at Central Banks" and "Inflation Targeting Practices" were organized in Istanbul with the participation of economists and specialists from several central banks. A total of 140 central bankers attended these İMB training activities; 73 were from other central banks.

Graph 33. Training Activities (CBRT Employee)



Source: CBRT.

Graph 34. Training Activities (Other Participants)



Source: CBRT.

Additionally, with the intention of improving bilateral cooperation with the central banks and international institutions, the İMB organized 5 bilateral technical cooperation programs on "CBRT Crisis Experience: Financial Stability and Banking Policies", "Human Resources Management", "Credit Registry System", "Logistical Services" and "De-Dollarization Period". The İMB also organized 2 regional workshops, "Understanding Macroeconomic Dynamics and Financial Markets: Practices and Experiences" for the Middle East and North Africa region and "Banking Sector and Economic Activity: Identifying the Real and Financial Challenges" for the South Eastern Europe region. The CBRT shared its experience on central banking issues with 90 officials from other central banks with the İMB's technical cooperation programs. Furthermore, several bilateral meetings were held with representatives from the central banks of Kyrgyzstan and Afghanistan. According to the results of these meeting, preparations for long term technical cooperation programs for the officials of these central banks have started.

Specialists and economists from 21 central banks participated in the Bank's international training and technical cooperation activities organized and coordinated by the İMB.

### 2.12.3. Training Activities Organized by Other Institutions

A total of 153 CBRT employees attended short-term training programs organized by other institutions in Turkey and 212 CBRT employees attended international short-term training programs by foreign institutions. Furthermore, in accordance with the "Financial Support Program for Academic Studies", 91 CBRT employees participated in the training programs organized by other institutions (Graph 35).

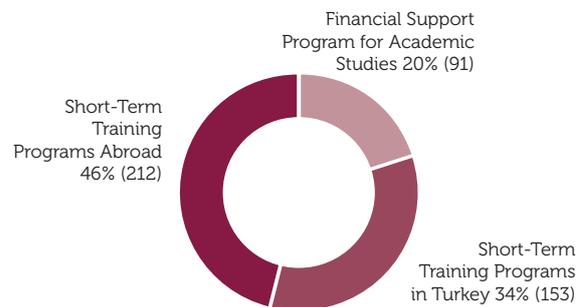
During 2013, 101 CBRT employees, 26 of whom were recently enrolled, continued their Master's/PhD degree programs in Turkey, while 55 employees, including 12 recently enrolled, studied for Master's/PhD degree programs abroad. Moreover, 1 CBRT employee attended a Professional Study and Research Program abroad. (Graph 36).

### 2.12.4. Other Activities

Within the category of "Assignment of Speakers/Lecturers from the CBRT", 47 employees gave lectures in various training events organized by other institutions; 46 in Turkey and 1 abroad. Moreover, 17 CBRT employees gave semester based lectures in different universities in Turkey.

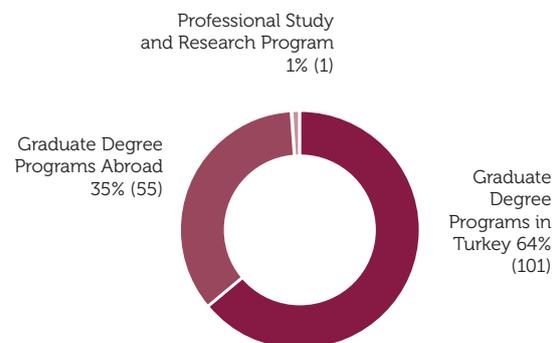
In addition, thesis studies of 14 assistant specialists were examined and evaluated by the committee. All 14 assistant specialists were promoted as specialists in 2013.

Graph 35. Short-Term Training Programs



Source: CBRT.

Graph 36. CBRT Employee Attending Graduate Programs



Source: CBRT.

## 2.13. Culture, Art and Sports

The exhibition "Contemporary Turkish Painting and Printmaking in the Republican Era from the Art Collection of the Central Bank of the Republic of Turkey" was presented at Künstlerhaus GmbH in Vienna, Austria between the dates of 18 March – 7 April 2013. The exhibition illustrated the process of development and institutionalisation of Turkish painting and printmaking from the early years of the Republic to the 1950s and from the 1950s to the present, showcasing the dynamics of the development of contemporary art: from the figurative to the abstract, from the abstract to the conceptual, and from the conceptual to the neo-figurative. A special catalogue was published in Turkish, English and German to document the exhibition for future reference.

The exhibition "Times and Places, İstanbul" from the Art Collection of the CBRT was hosted by the Albanian National Gallery of Arts in Tirana, Albania between the dates of 31 May – 14 July 2013. The exhibition that presented scenes of İstanbul, the global capital, as depicted by artists explained the development of Turkish painting in a chronological system, and summarized İstanbul and its culture through works of art. A special catalogue was published in Turkish, English and Albanian to document the exhibition for future reference.

The exhibition "Aesthetic Attitude and Creative Thinking in Contemporary Turkish Painting" was held in the Russian Federation, between the dates of 4 September – 30 September 2013 at the National Museum of the Republic of Tatarstan, Kazan and 11 October – 31 October 2013 at the National Museum of the Republic of Bashkortostan, Ufa. The exhibition debated the historical development of the Turkish art of painting and the transformation it has experienced in the context of the re-formed aesthetic perception within the axis of tradition and modernity. By focusing on a stage-driven process, it showed the assimilation of delayed modernist expectations and ideals through experiences related to changing social structures and continued efforts at westernization in a mental world conditioned by the eastern aesthetic.

Conjointly, with the cooperation of Hacettepe University Faculty of Fine Arts, the Art Gallery of the CBRT presented the exhibition "Anatolian Enlightenment of Art" on the concept of "Light, Water, Civilization and Intercultural Communication" between the dates of 7 February – 7 March 2013; and the exhibition "Ottoman Sultans in the Art of Ebru" consisting of portraits of "36 Ottoman Sultans" by the Ebru Master Sadreddin Özçimi from the Art Collection of the CBRT, between the dates of 1 October-12 December 2013.

In addition to cultural activities, the CBRT actively supported sporting events. The Bank hosted the "Euro Table-Tennis 2013" in İzmir on 3-6 October 2013 and the "Interbank Chess Tournament" with participations from local banks in İstanbul on 7 December 2013. The Bank's teams attended "Euro Football" in France, "Euro Bridge" in Portugal, "Euro Tennis" in Germany, "Euro Chess" in Greece and "Euro Hiking" in Spain, organized by the central banks that are members of the Sports and Cultural Associations of the European Central Banks and also the "9<sup>th</sup> Central Banks' Sports Tournament" hosted by the Macedonian National Bank in mini basketball, volleyball (men) and swimming branches.

## 2.14. Social Responsibility Activities, Donations and Financial Support

In addition to performing the duties and responsibilities entrusted to it by the CBRT Law, the CBRT also engages in social responsibility activities and contributes to academic studies and various fields of interest through providing donations and financial support.

In the scope of the Financial Support Program for Academic Studies, the Bank continued to provide support for conferences on economics and finance as well as for other academic and policy-making studies in these fields. The Bank provided financial support for 35 events held by various universities and organizations throughout the year.

Furthermore, the CBRT organized the 4<sup>th</sup> Contest for Academic Studies in 2013 to support academic studies in the Turkish economy, central banking or monetary policy and make these studies accessible to a larger audience. At the end of the evaluation process, one candidate was granted a second award and one candidate a third award, while two others were granted academic encouragement awards.

In May 2013, at the 12th graduation ceremony of the Central Bank Derince Anatolian High School, the first three students graduating with the highest degree were awarded with plaques, money prize and various presents. The Central Bank Derince Anatolian High School was founded by the contributions of the CBRT in collaboration with the Bank of Greece in Derince, İzmit following the earthquake in 1999 and started education in the 2001-2002 school year. The Bank contributed new books and publications to enrich the school library and support the educational program. The number of students, who, based on certain criteria, have received scholarships from the CBRT for their university education upon graduating from Derince Anatolian High School since the 2002-2003 educational year, reached 64 in 2013.

After having furnishing materials such as tables, coffee tables, whatnots, cabinets and equipment such as computers, telephones and printers, which had been out of use at CBRT, repaired and maintained; some of these equipment were sent to Hakkari and Batman Governorships to be distributed to schools, public institutions and organisations that were in need and rest of them were distributed by Bank.

The CBRT provided sponsorship to the North American Innovation Conference 2013, which aims to foster opportunities, new ideas and exchange of experience by bringing together businessmen, investors and entrepreneurs. The 2013 event was held in New York and is organised by the Federation of Balkan American Association an organization founded by a group of Turkish-educated teachers, academicians and professional who come from the Balkans and are living in the US.



# Part 3

## Financial Statements

### 3.1. Balance Sheet as of 31 December 2013

ASSETS	Explanation No.	Turkish Lira	Foreign Currency	Total
<b>1. Gold</b>	3.4.2.1	-	<b>42,850,276,179</b>	<b>42,850,276,179</b>
1.1 International Standard (Net Gram)				
519,737,014.91		-	42,850,276,179	42,850,276,179
<b>2. Foreign Banknotes</b>	3.4.2.2	-	<b>3,754,572,450</b>	<b>3,754,572,450</b>
<b>3. Foreign Correspondents</b>	3.4.2.3	-	<b>232,627,024,034</b>	<b>232,627,024,034</b>
3.1 FX Securities		-	211,123,802,766	211,123,802,766
3.2 Deposit		-	17,107,759,058	17,107,759,058
3.3 Other		-	4,395,462,210	4,395,462,210
<b>4. Reserve Tranche Position</b>	3.4.2.4	-	<b>370,973,363</b>	<b>370,973,363</b>
<b>5. Securities Portfolio</b>	3.4.2.5	<b>8,931,100,770</b>	-	<b>8,931,100,770</b>
5.1 Government Securities		8,931,100,770	-	8,931,100,770
5.2 Other		-	-	-
<b>6. Lending Related to Monetary Policy Operations</b>	3.4.2.6	<b>39,081,965,985</b>	-	<b>39,081,965,985</b>
6.1 Open Market Operations		39,007,449,947	-	39,007,449,947
6.2 Interbank Operations		74,516,038	-	74,516,038
<b>7. Domestic Banks</b>	3.4.2.7	-	-	-
<b>8. Credits</b>	3.4.2.8	-	<b>13,329,215,092</b>	<b>13,329,215,092</b>
8.1 Domestic Credits		-	13,307,133,918	13,307,133,918
8.1.1 Rediscount Credits		-	13,307,133,918	13,307,133,918
8.1.2 Other Credits		-	-	-
8.2 Foreign Credits		-	22,081,174	22,081,174
<b>9. Share Participations</b>	3.4.2.9	-	<b>587,726,743</b>	<b>587,726,743</b>
<b>10. Treasury Liabilities Due to SDR Allocation</b>	3.4.2.4	-	<b>3,524,139,144</b>	<b>3,524,139,144</b>
<b>11. Fixed Assets (Net)</b>	3.4.2.10	<b>641,032,223</b>	-	<b>641,032,223</b>
<b>12. Claims under Legal Proceedings (Net)</b>	3.4.2.8	<b>-3,262,625,715</b>	<b>3,262,625,715</b>	-
12.1 Claims under Legal Proceedings		-	3,262,625,715	3,262,625,715
12.2 Provisions for Claims under Legal Proceedings (-)		-3,262,625,715	-	-3,262,625,715
<b>13. Deferred Tax Assets</b>	3.4.2.14	<b>7,523,890</b>	-	<b>7,523,890</b>
<b>14. Revaluation Account</b>	3.4.2.17	-	-	-
<b>15. Other Assets</b>	3.4.2.11	<b>1,089,829,912</b>	<b>3,912,170</b>	<b>1,093,742,082</b>
15.1 Gold Non-International Standard (Net Gram)				
3,177,797.62	3.4.2.1	261,996,936	-	261,996,936
15.2 Coins		68,020,952	-	68,020,952
15.3 Income Accruals		29,054,803	-	29,054,803
15.4 Other		730,757,221	3,912,170	734,669,391
<b>TOTAL</b>		<b>46,488,827,065</b>	<b>300,310,464,890</b>	<b>346,799,291,955</b>

LIABILITIES	Explanation No.	Turkish Lira	Foreign Currency	Total
<b>1. Currency Issued</b>	3.4.2.12	<b>74,814,589,728</b>	-	<b>74,814,589,728</b>
<b>2. Liabilities Related to Monetary Policy Operations</b>	3.4.2.6	<b>208,520,271</b>	-	<b>208,520,271</b>
2.1 Open Market Operations		-	-	-
2.2 Interbank Operations		208,520,271	-	208,520,271
2.3 Liquidity Bills		-	-	-
<b>3. Deposits</b>	3.4.2.13	<b>30,156,379,960</b>	<b>198,169,099,081</b>	<b>228,325,479,041</b>
3.1 Public Sector		13,763,696,011	13,725,018,041	27,488,714,052
3.1.1 Treasury, General and Special Budget Administrations		13,653,972,431	13,711,204,155	27,365,176,586
3.1.2 Other		109,723,580	13,813,886	123,537,465
3.2. Banking Sector		16,086,106,689	172,499,830,191	188,585,936,880
3.2.1 Domestic Banks		16,079,933,857	16,124,778,986	32,204,712,843
3.2.2 Foreign Banks		5,734,055	-	5,734,055
3.2.3 Required Reserves in Blocked Accounts		-	156,375,051,205	156,375,051,205
3.2.3.1 Cash		-	123,097,074,552	123,097,074,552
3.2.3.2 Gold (Net Gram)	403,633,250.24	3.4.2.1	33,277,976,653	33,277,976,653
3.2.4 Other		438,776	-	438,776
3.3 Other Deposits		306,577,260	11,944,250,849	12,250,828,109
3.3.1 FX Deposits by Citizens Abroad		-	11,320,996,460	11,320,996,460
3.3.2 International Institutions		9,939,108	-	9,939,108
3.3.3 Extrabudgetary Funds		242,055,351	534,237,640	776,292,991
3.3.4 Other		54,582,801	89,016,750	143,599,551
<b>4. Foreign Banks</b>	3.4.2.3	-	<b>798,556</b>	<b>798,556</b>
<b>5. Reserve Tranche Means</b>	3.4.2.4	-	<b>370,973,363</b>	<b>370,973,363</b>
<b>6. SDR Allocation</b>	3.4.2.4	-	<b>3,524,139,144</b>	<b>3,524,139,144</b>
<b>7. Tax Obligation</b>	3.4.2.14	<b>939,639,379</b>	-	<b>939,639,379</b>
7.1 Taxes Payable		939,639,379	-	939,639,379
<b>8. Provisions</b>	3.4.2.15	<b>371,225,865</b>	-	<b>371,225,865</b>
<b>9. Capital and Reserves</b>	3.4.2.16	<b>9,291,338,931</b>	-	<b>9,291,338,931</b>
9.1 Paid-in Capital		25,000	-	25,000
9.2 Inflation Adjustments for Capital		46,208,524	-	46,208,524
9.3 Reserves		9,245,105,407	-	9,245,105,407
<b>10. Revaluation Account</b>	3.4.2.17	<b>22,164,507,125</b>	-	<b>22,164,507,125</b>
<b>11. Profit of the Period</b>	3.4.2.20	<b>5,028,771,027</b>	-	<b>5,028,771,027</b>
<b>12. Other Liabilities</b>	3.4.2.18	<b>536,474,357</b>	<b>1,222,835,169</b>	<b>1,759,309,526</b>
12.1 Treasury Gold (Net Gram)	345,574.68	3.4.2.1	28,491,276	28,491,276
12.2 Letters of Credit		-	931,012,876	931,012,876
12.3 Expense Accruals		3,587,825	-	3,587,825
12.4 Other		504,395,256	291,822,293	796,217,549
<b>TOTAL</b>		<b>143,511,446,643</b>	<b>203,287,845,312</b>	<b>346,799,291,955</b>
REGULATING ACCOUNTS				841,907,412,091

## 3.2. Balance Sheets as of 31 December 2013 and 2012

ASSETS	Explanation No.	2013	2012
<b>1. Gold</b>	3.4.2.1	<b>42,850,276,179</b>	<b>34,297,820,041</b>
1.1 International Standard		42,850,276,179	34,297,820,041
<b>2. Foreign Banknotes</b>	3.4.2.2	<b>3,754,572,450</b>	<b>700,396,358</b>
<b>3. Foreign Correspondents</b>	3.4.2.3	<b>232,627,024,034</b>	<b>177,111,014,660</b>
3.1 FX Securities		211,123,802,766	168,698,992,631
3.2 Deposit		17,107,759,058	4,869,115,450
3.3 Other		4,395,462,210	3,542,906,579
<b>4. Reserve Tranche Position</b>	3.4.2.4	<b>370,973,363</b>	<b>310,537,240</b>
<b>5. Securities Portfolio</b>	3.4.2.5	<b>8,931,100,770</b>	<b>29,198,720,650</b>
5.1 Government Securities		8,931,100,770	29,198,720,650
5.2 Other		-	-
<b>6. Lending Related to Monetary Policy Operations</b>	3.4.2.6	<b>39,081,965,985</b>	<b>25,321,266,441</b>
6.1 Open Market Operations		39,007,449,947	25,321,266,441
6.2 Interbank Operations		74,516,038	-
<b>7. Domestic Banks</b>	3.4.2.7	<b>-</b>	<b>19,608,600</b>
<b>8. Credits</b>	3.4.2.8	<b>13,329,215,092</b>	<b>6,822,646,756</b>
8.1 Domestic Credits		13,307,133,918	6,800,716,530
8.1.1 Rediscount Credits		13,307,133,918	6,800,716,530
8.1.2 Other Credits		-	-
8.2 Foreign Credits		22,081,174	21,930,226
<b>9. Share Participations</b>	3.4.2.9	<b>587,726,743</b>	<b>45,423,897</b>
<b>10. Treasury Liabilities Due to SDR Allocation</b>	3.4.2.4	<b>3,524,139,144</b>	<b>2,950,013,542</b>
<b>11. Fixed Assets (Net)</b>	3.4.2.10	<b>641,032,223</b>	<b>300,510,986</b>
<b>12. Claims under Legal Proceedings (Net)</b>	3.4.2.8	<b>-</b>	<b>-</b>
12.1 Claims under Legal Proceedings		3,262,625,715	2,720,438,971
12.2 Provisions for Claims under Legal Proceedings (-)		-3,262,625,715	-2,720,438,971
<b>13. Deferred Tax Assets</b>	3.4.2.14	<b>7,523,890</b>	<b>-</b>
<b>14. Revaluation Account</b>	3.4.2.17	<b>-</b>	<b>-</b>
<b>15. Other Assets</b>	3.4.2.11	<b>1,093,742,082</b>	<b>1,223,773,896</b>
15.1 Gold Non-International Standard	3.4.2.1	261,996,936	303,056,915
15.2 Coins		68,020,952	89,823,837
15.3 Income Accruals		29,054,803	51,472,691
15.4 Other		734,669,391	779,420,454
<b>TOTAL</b>		<b>346,799,291,955</b>	<b>278,301,733,069</b>

LIABILITIES	Notes	2013	2012
<b>1. Currency Issued</b>	3.4.2.12	<b>74,814,589,728</b>	<b>60,525,482,148</b>
<b>2. Liabilities Related to Monetary Policy Operations</b>	3.4.2.6	<b>208,520,271</b>	<b>26,660,131,452</b>
2.1 Open Market Operations		-	25,261,631,452
2.2 Interbank Operations		208,520,271	1,398,500,000
2.3 Liquidity Bills		-	-
<b>3. Deposits</b>	3.4.2.13	<b>228,325,479,041</b>	<b>159,473,131,251</b>
3.1 Public Sector		27,488,714,052	16,509,733,021
3.1.1 Treasury, General and Special Budget Administrations		27,365,176,586	16,441,934,389
3.1.2 Other		123,537,465	67,798,633
3.2 Banking Sector		188,585,936,880	128,628,657,008
3.2.1 Domestic Banks		32,204,712,843	28,432,903,795
3.2.2 Foreign Banks		5,734,055	5,755,891
3.2.3 Required Reserves in Block Accounts		156,375,051,205	100,189,811,044
3.2.3.1 Cash		123,097,074,552	76,964,454,680
3.2.3.2 Gold	3.4.2.1	33,277,976,653	23,225,356,364
3.2.4 Other		438,776	186,279
3.3 Other Deposits		12,250,828,109	14,334,741,221
3.3.1 FX Deposits by Citizens Abroad		11,320,996,460	12,542,010,517
3.3.2 International Institutions		9,939,108	9,928,575
3.3.3 Extrabudgetary Funds		776,292,991	1,776,814,525
3.3.4 Other		143,599,551	5,987,604
<b>4. Foreign Banks</b>	3.4.2.3	<b>798,556</b>	<b>669,362</b>
<b>5. Reserve Tranche Means</b>	3.4.2.4	<b>370,973,363</b>	<b>310,537,240</b>
<b>6. SDR Allocation</b>	3.4.2.4	<b>3,524,139,144</b>	<b>2,950,013,542</b>
<b>7. Tax Obligation</b>	3.4.2.14	<b>939,639,379</b>	<b>797,707,971</b>
7.1 Taxes Payable		939,639,379	797,707,971
<b>8. Provisions</b>	3.4.2.15	<b>371,225,865</b>	<b>203,396,503</b>
<b>9. Capital and Reserves</b>	3.4.2.16	<b>9,291,338,931</b>	<b>7,866,215,724</b>
9.1 Paid-in Capital		25,000	25,000
9.2 Inflation Adjustments for Capital		46,208,524	46,208,524
9.3 Reserves		9,245,105,407	7,819,982,200
<b>10. Revaluation Account</b>	3.4.2.17	<b>22,164,507,125</b>	<b>13,655,426,528</b>
<b>11. Profit of the Period</b>	3.4.2.20	<b>5,028,771,027</b>	<b>4,346,373,413</b>
<b>12. Other Liabilities</b>	3.4.2.18	<b>1,759,309,526</b>	<b>1,512,647,933</b>
12.1 Treasury Gold	3.4.2.1	28,491,276	32,956,408
12.2 Letters of Credit		931,012,876	776,882,944
12.3 Expense Accruals		3,587,825	281,283,840
12.4 Other		796,217,549	421,524,741
<b>TOTAL</b>		<b>346,799,291,955</b>	<b>278,301,733,069</b>
REGULATING ACCOUNTS		841,907,412,091	825,201,624,917

### 3.3. Profit and Loss Statements for 2013 and 2012

	Explanation No.	2013	2012
<b>Interest Income</b>	3.4.2.20	<b>4,389,412,092</b>	<b>5,484,239,970</b>
<b>Interest Expense</b>	3.4.2.20	<b>-587,203,122</b>	<b>-1,010,499,338</b>
Net Interest Income /Expense		3,802,208,970	4,473,740,632
<b>Fee and Commission Income</b>	3.4.2.20	<b>353,397,586</b>	<b>265,322,633</b>
<b>Fee and Commission Expense</b>	3.4.2.20	<b>-16,226,772</b>	<b>-13,675,494</b>
Net Fee and Commission Income /Expense		337,170,813	251,647,138
<b>Non-Interest Income</b>	3.4.2.20	<b>5,520,358,878</b>	<b>2,403,014,536</b>
<b>Non-Interest Expense</b>	3.4.2.20	<b>-3,741,132,288</b>	<b>-2,038,676,032</b>
Net Non-Interest Income/Expense		1,779,226,590	364,338,504
<b>Net Profit /Loss Before Tax</b>		<b>5,918,606,373</b>	<b>5,089,726,275</b>
Tax Provision	3.4.2.14	-889,835,346	-743,352,862
<b>Net Profit/Loss</b>		<b>5,028,771,027</b>	<b>4,346,373,413</b>

## 3.4. Explanations

### 3.4.1. Basis of Presentation of the Financial Statements

The CBRT prepares its books of account in accordance with the Tax Legislation and the Law on the Central Bank of the Republic of Turkey No. 1211 and prepares its statutory financial statements in accordance with the Turkish Commercial Code and Tax Legislation and the Law on the Central Bank of the Republic of Turkey No. 1211.

Periodicity, full disclosure, prudence, social responsibility, economic entity, going concern, monetary unit, historic cost, neutrality and documentation, consistency, substance over form, and materiality principles, which are the underlying assumptions of accounting, constitute the basis of the CBRT's accounting practices.

Foreign currency transactions of the CBRT are converted to Turkish lira at the exchange rates prevailing on transaction dates. During the preparation of financial statements, foreign currency denominated assets and liabilities are converted to Turkish lira using the foreign exchange and foreign currency buying rates of the CBRT applicable on the balance sheet date.

Pursuant to Article 61 of the CBRT Law amended with the Law No.1211, the unrealized gains and losses arising from the revaluation of gold and foreign currency due to changes in the value of the Turkish currency against foreign currencies are monitored in the "Revaluation Account" item in the assets and liabilities of the CBRT balance sheet. In the event of realization, gains or losses are reflected on the profit and loss statement.

The financial statements are presented in Turkish lira. In accordance with the Turkish Commercial Code No. 6102, the following changes in accounting policies have been reflected on the financial statements as of 2013 year-end: The CBRT's shares in the Bank for International Settlements (BIS), the Society for Worldwide Interbank Financial Telecommunication (SWIFT) and the International Islamic Liquidity Management Corporation (IILM) are now classified as available-for-sale financial assets. In this scope, the CBRT's share in the BIS, which used to be reported at acquisition cost, is now reported at fair value, which is calculated as 70% of the BIS's net asset value.

**Table 4: Accounting Policy Changes-Share Participations**

Value as of 31 December 2012	45,423,897
Calculation difference due to fair value measurement of the BIS shares	494,425,901
<b>Re-calculated value as of 31 December 2012</b>	<b>539,849,798</b>

The depreciation of fixed assets started to be reported according to prorated depreciation method, instead of straight-line depreciation method, taking into account the estimated useful lives specified in the Tax Procedure Law General Communiques No. 333, 339, 365 and 389.

**Table 5: Accounting Policy Changes-Fixed Assets**

Value as of 31 December 2012	300,510,986
Calculation difference due to prorated depreciation	-46,954,368
<b>Re-calculated value as of 31 December 2012</b>	<b>253,556,618</b>

Deferred tax, which reflects tax effects of temporary differences between the amounts of assets and liabilities in the financial statements and their book values, is calculated and reported based on the statutory tax rates.

	2012	
	Temporary Differences	Deferred Tax Assets/ Liabilities
<b>Table 6: Accounting Policy Changes-Deferred Tax</b>		
Total Assets	166,244,562	33,248,912
Retirement pay and employment termination benefit obligations	119,290,194	23,858,039
Fixed assets depreciation adjustment	46,954,368	9,390,874
Total Liabilities	-494,425,901	-24,721,295
Adjustment for fair value of BIS shares	-494,425,901	-24,721,295
Net Asset/Liability	-328,181,340	8,527,617

Reflection of these changes on the previous year's profit and loss accounts is as follows:

**Table 7: Accounting Policy Changes-Previous Year Profit and Loss**

Depreciation effect	-46,954,368
Deferred tax income effect	33,248,912
<b>Reported Previous Year Loss</b>	<b>-13,705,456</b>

Accounting policy changes other than the changes listed above, which have not been reflected on the previous year's profit and loss accounts, are as follows:

"5. Securities Portfolio" item only consists of securities owned by the CBRT. While the securities purchased under agreements to resell are monitored in off-balance sheet commitments; the securities sold under agreements to repurchase are reported in "5. Securities Portfolio" item.

**Table 8: Accounting Policy Changes-Securities Portfolio**

Value as of 31 December 2012	29,198,720,650
Purchased under agreements to resell	-23,000,012,000
Sold under agreements to repurchase	2,261,000,000
<b>Re-calculated value as of 31 December 2012</b>	<b>8,459,708,650</b>

Since repurchase transactions are recognized as collateralized loans, the cash lent to banks are shown in the assets under "6. Lending Related to Monetary Policy Operations/6.1 Open Market Operations" item at its transaction date value plus the interest accrued as of month-end.

**Table 9: Accounting Policy Changes – Lending Related to Monetary Policy Operations/  
Open Market Operations**

Value as of 31 December 2012	25,321,266,441
Subtraction of securities sold to repurchase from receivables	-2,261,000,000
Difference due to subtraction of total interest income and addition of interest income accrual	-28,711,847
Subtracted interest income	-60,254,441
Added interest income accrual	31,542,594
<b>Re-calculated value as of 31 December 2012</b>	<b>23,031,554,594</b>

Since reverse repurchase transactions are recognized as collateralized deposits received, securities lent to banks as collateral are shown in the assets under "5. Securities Portfolio", cash debts are shown in the liabilities under "2. Liabilities Related to Monetary Operations/2.1 Open Market Operations" item at their transaction date value plus the interest accrued as of month-end.

**Table 10: Accounting Policy Changes – Liabilities Related to Monetary Operations/ Open Market Operations**

Value as of 31 December 2012	25,261,631,452
Subtraction of securities purchased to resell from liabilities	-23,000,012,000
Difference due to subtraction of total interest expense and addition of interest expense accrual	-309,726
Subtracted interest expense	-619,452
Added interest expense accrual	309,726
<b>Re-calculated value as of 31 December 2012</b>	<b>2,261,309,726</b>

Interest income and expense accruals started to be reported in the related balance sheet items. Within this scope, on the asset side of the balance sheet, deposit accounts monitored under "3. Foreign Correspondents/3.2 Deposit" item is reclassified as TL 4,869,333,486 (previously TL 4,869,115,450), rediscount credits monitored under "8. Credits/8.1 Domestic Credits/8.1.1 Rediscount Credits" item is reclassified as TL 6,796,710,723 (previously TL 6,800,716,530) and the Central Bank of Albania loan monitored under "8.2 Foreign Credits" item is reclassified as TL 21,939,464 (previously TL 21,930,226). On the liability side, interbank operations monitored under "2. Liabilities Related to Monetary Policy Operations/2.2 Interbank Operations" item is reclassified as TL 1,398,694,236 (previously TL 1,398,500,000), "3. Deposits/3.1 Public Sector/3.1.1 Treasury, General and Special Budget Administrations" item is reclassified as TL 16,442,771,506 (previously TL 16,441,934,389) due to interest accrual of Treasury deposits, "3. Deposits/3.2 Banking sector/3.2.1 Domestic Banks" item is reclassified as TL 28,432,904,260 (previously TL 28,432,903,795) due to the interest accruals of foreign currency deposits of banks, "3. Deposits/3.3 Other Deposits/3.3.1 FX Deposits by Citizens Abroad" item is reclassified as TL 12,813,888,590 (previously TL 12,542,010,517) due to interest accruals of FX deposits by citizens abroad.

The difference of TL 1,689,875 arising from the adoption of effective interest method in calculation of interest income/expense accruals, and the difference of TL 6,749,972 arising from the change in the calculation method of the provision for retirement pay and employment termination benefit obligations have been reflected on the current year's profit and loss accounts.

#### 3.4.1.1. Gold Reserves

The CBRT's gold reserves consist of international and non-international standard gold held at CBRT vaults, foreign banks and Borsa Istanbul (BIST). Gold in foreign banks is held as free deposits as part of reserve management. Gold deposited by banks for reserve requirements is also held at foreign banks and BIST.

Gold is initially recognized at prices prevailing on recognition date, and measured at fair value in the following periods. Fair value is calculated as the average of the gold prices (2013: 1,202 USD / 2012: 1,664 USD) quoted at 10:30 and 15:00 in the London Bullion Market on the last day of month and using 1 ounce of gold = 31.1035 grams, and is reported on the balance sheet as translated daily to Turkish lira from their month-end revalued amounts. Fair value differences arising from both price and exchange rate difference are recognized as unrealized gains and losses in the "Revaluation Account" as per Article 61 of the CBRT Law No. 1211.

As of end-2013, the revaluation rate of gold is 2,564 TL/ounce (2012: 2,966 TL / ounce).

### 3.4.1.2 Financial Assets and Liabilities

#### *a. Financial Assets at Fair Value Through Profit or Loss*

Financial assets at fair value through profit or loss are financial assets held for trading.

Pursuant to Article 52 of the CBRT Law No. 1211, regarding open market operations, securities purchased by the CBRT on its own account in order to regulate money supply and the liquidity in the economy, and foreign securities are classified in this group. After initial recognition, held-for-trading financial assets are revalued at their fair values at month-ends, and income and expense arising from revaluation are transferred to profit and loss accounts. The differences between acquisition costs and fair values of held-for-trading financial assets are reflected on the items "3. Foreign Correspondents" and "5. Securities Portfolio" in the balance sheet.

Fair value is calculated based on the weighted average prices occurred in Borsa İstanbul for the transactions with same value date. In the absence of these prices, the prices of related securities published in the Official Gazette by the CBRT on a daily basis are used for the fair value calculation. Foreign currency securities are valued at their fair value calculated using the closing prices in the related international markets at month-ends.

Interest earned during the holding period of the held-for-trading financial assets is shown in interest income.

#### *b- Loans*

Loans extended by the CBRT are recognized when cash is advanced to borrowers.

Loans are measured at amortized cost using the 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 discounts estimated future cash flows through the expected life of the financial asset, or, where appropriate, through a shorter period, exactly to the net present value of the financial asset.

#### *c. Available-for-Sale Financial Assets*

Available-for-sale financial assets are financial assets that are classified as available for sale and that are not included in the above classifications.

Available-for-sale assets are initially recognized at acquisition cost. Subsequent to the initial recognition, fair values of available-for-sale financial assets are determined based on market prices or other valuation techniques. Unrealized gains and losses arising from changes in the fair value of available-for-sale financial assets are monitored in "12. Other Liabilities".

The CBRT's participation shares in the BIS, SWIFT and IILM are classified as available-for-sale financial assets. Gains and losses arising from changes in fair value are monitored in other liabilities. When participation shares are derecognized or impaired, the amount of gains or losses monitored in other liabilities is reflected on the profit and loss statement.

Dividends related to available-for-sale participation shares are reflected on the profit and loss statement in the period when the right to receive dividends is established.

#### ***d. Repurchase Transactions***

Repurchase transactions of Turkish lira securities are undertaken within the scope of the open market operations of the CBRT.

Repurchase transactions are recognized as collateralized loans. While the cash receivables are shown in "6. Lending Related to Monetary Policy Operations / 6.1 Open Market Operations" item on the asset side in the amount lent on the transaction date, securities received as collateral are monitored in off-balance sheet accounts. Interest received from banks is accrued at month-ends using the effective interest method. On the maturity date, the interest income arising from the transaction is reflected on the profit and loss statement.

#### ***e. Impairment of Financial Assets***

Financial assets or financial asset groups, other than those at fair value through profit or loss, are assessed for the existence of impairment indicators at the end of each reporting period. Impairment loss is incurred when there is an objective indicator related to the impairment of the financial asset as a result of one or more events that occur after initial recognition of financial assets and that have a negative impact on the estimated future cash flows of financial assets or the groups of financial assets. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's book value and the present value of estimated future cash flows, discounted at the original effective interest rate.

The book value of the financial asset is reduced by the impairment loss. When a trade receivable becomes uncollectible, a provision is set aside in the amount of the receivable. Changes in the provision account are reflected on the profit and loss statement.

#### ***f. Derecognition of the Financial Assets***

The CBRT derecognizes an asset when the rights arising from the contract on the cash flow of the financial asset expire or when all risks and rewards arising from the acquisition of this asset are transferred to another party.

#### ***g. Financial Liabilities at Fair Value Through Profit or Loss***

The liquidity bills, which are issued by the CBRT pursuant to Article 52 of the CBRT Law No. 1211 with an aim to effectively regulate the money supply and liquidity in the economy within the framework of monetary policy targets, have maturities no longer than 91 days and are tradable in the secondary markets on the CBRT's own account and behalf within the scope of open market operations, are classified in this group. The CBRT recognizes liquidity bills at the issuing amount and revalues them at the end of each month, at their fair value according to the prices announced in the Official Gazette on a daily basis. The differences between the issuing amounts and the fair values are reflected in the profit and loss statement. As of the balance sheet date, there are no liquidity bills issued by the CBRT.

#### ***h. Other Financial Liabilities***

Other financial liabilities are measured at amortized cost with interest expense recognized based on effective interest rate.

#### ***i. Reverse Repurchase Transactions***

Reverse repurchase transactions are recognized as the collateralized deposits. While the securities lent as collateral are shown in "5. Securities Portfolio" in the assets of the balance sheet, cash debts are monitored in "2. Liabilities Related to Monetary Policy Operations / 2.1 Open Market Operations" item in the liabilities as the amount received on the transaction date. The interest paid to the banks is accrued at month-ends using the effective interest method. The interest expense paid for the transaction on the maturity date is reflected in the profit and loss statement.

### **3.4.1.3. Income and Expense**

#### ***a. Interest Income / Expense***

As required by the periodicity principle, income and expense are accrued for the interest amount of undue receivables and payables at month-ends and income and expense accruals are recognized for the ones that are due and whose collections or payments are going to occur in the next period.

#### ***b. Fee and Commission Income and Expense***

The fee and commission income and expense which the CBRT pays or receives as a result of the transactions with commercial banks, the Undersecretariat of Treasury, public administrations within the scope of general budget, other individuals and institutions are recognized as income or expense in the period of payment or receipt. Income and expense accruals are recognized for payments or collections that are going to occur in the next period.

### **3.4.1.4. Fixed Assets**

Fixed assets consist of land, buildings and additional expenses as a part of buildings' cost and fixtures and software products.

While the land in the CBRT's balance sheet is carried at acquisition cost; buildings, fixtures and software are carried at cost minus accumulated depreciation in the balance sheet.

The difference between the sale proceeds arising from the disposal of fixed assets and the net carrying value of the asset is recognized in the profit and loss statement.

Depreciation of the fixed assets, other than land, is calculated and reflected in financial statements in accordance with their useful life, specified in the Tax Procedure Law General Communiqués No. 333, 339, 365 and 389 using the prorated depreciation method.

#### 3.4.1.5. Currency Issued

According to the CBRT Law No. 1211, the CBRT has the exclusive privilege of issuing banknotes. The amount of banknotes issued is shown under "1. Currency Issued" on the CBRT balance sheet. The CBRT can replace the banknotes in circulation with new ones when necessary. In financial statements, banknotes in circulation are presented with their nominal values.

Stocks of semi-finished banknotes printed at the CBRT's banknote printing plant are monitored at cost in "15. Other Assets". Expenses associated with banknotes are initially capitalized and are charged to the profit and loss statement upon transfer of banknotes to auxiliary storage of the CBRT. Costs of finished and semi-finished banknotes include direct costs, depreciation costs, staff costs, transportation costs and other printing costs.

#### 3.4.1.6. Provisions

According to Article 59 of the CBRT Law No. 1211, provisions, in the amounts to be deemed appropriate by the Board, may be set aside from the gross annual profit of the Bank in order to cover certain risks which may occur in the following years due to the operations exclusive to the Bank.

#### 3.4.1.7. Employee Benefits

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

Retirement pay and employment termination benefits obligation are calculated according to the net present value of obligation that are expected to arise due to retirement of employees and reflected in financial statements.

#### 3.4.1.8. Taxes

##### *a. Current Taxes*

The CBRT, established as a "joint stock company", as per Article 1 of the CBRT Law No. 1211, is a corporate taxpayer. As per Article 94 of the Income Tax Law No. 193, the CBRT is responsible for withholding tax, on wages, outsourcing payments, interest on deposits, etc. and as per Article 30 of the Corporate Income Tax Law No. 5520, on the payments made to firms subject to limited tax liability except for commercial, agricultural and other earnings; and on payments made for the transfer or sale of intangible rights

The CBRT is a taxpayer of Banking and Insurance Transactions Tax.

Revaluation gains from assets and liabilities that are subject to Article 61 of the CBRT Law No. 1211 are not considered as a profit item for the year in which the revaluation is applied and also not taken as an income item in the calculation of corporate tax base. Revaluation losses from assets and liabilities are not considered as an expense for the year in which the revaluation is applied and also not taken as a loss item in the computation of corporate tax base.

The corporate tax for the current period is reflected as expense in the profit and loss statement.

**b- Deferred Taxes**

Deferred tax assets and liabilities arise from tax effect of the temporary differences between the amounts of assets and liabilities in the financial statements and their book values. Deferred tax asset is reflected in the assets and deferred tax liability is reflected in the liabilities on the balance sheet.

Deferred tax for the current period is reported as income or expense in the profit and loss statement or by relating with other liabilities.

**3.4.1.9. Comparative Information and Adjustment of the Financial Statements of the Preceding Year**

In order to allow assessment of the financial position, the CBRT's financial statements for the current year and the previous year are presented together. If necessary, the comparative information is reclassified and the significant differences are explained to be compatible with presentation of the current financial statements. Accounting policies, as well as presentation and classification in the financial statements dated 31 December 2013, have been changed and the relevant changes are explained (Explanation No. 3.4.1).

**3.4.1.10. Custody Operations**

Assets held by the CBRT on behalf of individuals and financial institutions are followed in off-balance sheet commitments.

**3.4.2. Explanations Related to Financial Statement Items****3.4.2.1 Gold**

The gold holdings are composed of 519,737,014.91 net grams of gold in international standards equivalent to TL 42,850,276,179 and 3,177,797.62 net grams of gold in non-international standards equivalent to TL 261,996,936. While some part of the gold in international standards belongs to the CBRT, the rest of it belongs to the banks kept for required reserves. Gold holdings in international standards are stored in the vaults of the CBRT or held with foreign correspondents.

	2013	2012
<b>International standards</b>	<b>42,850,276,179</b>	<b>34,297,820,041</b>
Owned by the CBRT	9,572,299,526	11,072,463,677
At BOE	4,430,957,561	5,125,374,160
At FED	2,365,329,485	2,736,022,284
Domestically	2,776,012,481	3,211,067,233
Reserve requirements of the banks	33,277,976,653	23,225,356,364
At BOE	33,152,669,312	23,173,136,480
At Borsa İstanbul	125,307,341	52,219,884
<b>Non-international standards</b>	<b>261,996,936</b>	<b>303,056,915</b>
The CBRT	233,505,661	270,100,506
Treasury	28,491,276	32,956,408

Gold holdings in international standards are held by the CBRT as a part of foreign currency reserves and they account for 15.33% (2012: 16.15%) of the total foreign currency reserves. The gold deposited by banks for required reserves, which is 403,633,250.24 net grams equivalent to TL 33,277,976,653 is also followed under this item.

Some part of gold holdings in non-international standards belongs to the CBRT and the rest of them belongs to the Treasury. Gold holdings in non-international standards are stored in the vaults of the Head Office and recognized in the assets of the balance sheet under "15.Other Assets". Treasury's 345,574.68 net grams of gold that is equivalent to TL 28,491,276 is reported in liabilities side of the balance sheet under "12.Other Liabilities/12.1 Treasury Gold".

### 3.4.2.2. Foreign Banknotes

As of the end of 2013, the Turkish lira equivalent of foreign banknotes kept in the vaults of the branches of the CBRT is TL 3,754,572,450.

<b>Table 12: Foreign Banknotes</b>	<b>2013</b>	<b>2012</b>
Foreign banknotes	3,754,572,450	700,396,358

### 3.4.2.3. Foreign Correspondents

"3. Foreign Correspondents" item, which represents the foreign exchange reserves of the CBRT and presented in the assets of the balance sheet, consists of FX securities carried at fair value, deposit accounts in foreign correspondents and current accounts.

<b>Table 13: Foreign Correspondents (Assets)</b>	<b>2013</b>	<b>2012</b>
FX Securities	211,123,802,766	168,698,992,631
Deposit	17,107,759,058	4,869,115,450
Other	4,395,462,210	3,542,906,579
Demand deposit	1,179,080,689	872,767,541
SDR holding account	3,213,476,129	2,667,673,526
Other	2,905,392	2,465,512
<b>TOTAL</b>	<b>232,627,024,034</b>	<b>177,111,014,660</b>

Balances of "4.Foreign Banks" in the liabilities of the balance sheet as of the end of 2013 and 2012 are presented below.

<b>Table 14: Foreign Banks (Liabilities)</b>	<b>2013</b>	<b>2012</b>
Nostro accounts	798,556	669,362

### 3.4.2.4. Balances Arising from Turkey's Membership in the International Monetary Fund

Within the framework of the financial relations arising from Turkey's membership in the International Monetary Fund (IMF), part of Turkey's IMF quota to be paid as gold and foreign currency is presented under "4. Reserve Tranche Position" in the assets of the balance sheet and "5. Reserve Tranche Means" in the liabilities of the balance sheet. SDR 37,750,000 of Turkey's total quota at the amount of SDR 112,775,000 was paid as gold. Within the framework of the financial relations arising from Turkey's membership in the IMF, Turkey's quota increased from SDR 1,191.3 million to SDR 1,455.8 million on 8 June 2011.

<b>Table 15: IMF Accounts</b>	<b>2013</b>		<b>2012</b>	
	<b>TL</b>	<b>SDR</b>	<b>TL</b>	<b>SDR</b>
<b>Assets</b>				
Reserve tranche position	370,973,363	112,775,000	310,537,240	112,775,000
Treasury liabilities due to SDR allocation	3,524,139,144	1,071,329,729	2,950,013,542	1,071,329,729
<b>Liabilities</b>				
Reserve tranche means	370,973,363	112,775,000	310,537,240	112,775,000
SDR allocation	3,524,139,144	1,071,329,729	2,950,013,542	1,071,329,729

Meanwhile, SDR 112,307,000, which was allocated to Turkey by the IMF and used by the Treasury; and General and Special SDR Allocation in the amount of SDR 959,022,729 allocated in 2009 are presented under "10. Treasury Liabilities Due to SDR Allocations" in the assets, and "6. SDR Allocation" in the liabilities.

#### 3.4.2.5. Securities Portfolio

As of the end of 2013, the fair value of all securities owned by the CBRT is TL 8,931,100,770.

Table 16: Securities	2013		2012	
	Cost	Carrying Value	Cost	Carrying Value
Government bonds and treasury bills issued by the Treasury	9,158,266,857	8,931,100,770	28,959,052,850	29,198,720,650

#### 3.4.2.6. Lending and Liabilities Related to Monetary Policy Operations

"6. Lending Related to Monetary Policy Operations" in the assets of the balance sheet, which represents cash receivables of the CBRT, has a balance of TL 39,081,965,985 as of the end of 2013. The income accruals reflected in this item are TL 10,542,956 for repurchase agreements; and TL 16,038 for Interbank Money Market operations.

"2. Liabilities Related to Monetary Policy Operations" in the liabilities of the balance sheet, which represents cash debts of the CBRT, has a balance of TL 208,520,271. The expense accrual reflected in this item is TL 20,271 for Interbank Money Market operations.

Table 17: Lending/Liabilities Related to Monetary Policy Operations	2013	2012
<b>Assets</b>		
<b>Lending Related to Monetary Policy Operations</b>	<b>39,081,965,985</b>	<b>25,321,266,441</b>
Open market operations	39,007,449,947	25,321,266,441
Interbank operations	74,516,038	-
<b>Liabilities</b>		
<b>Liabilities Related to Monetary Policy Operations</b>	<b>208,520,271</b>	<b>26,660,131,452</b>
Open market operations	-	25,261,631,452
Interbank operations	208,520,271	1,398,500,000

Net receivables of the CBRT related to monetary policy operations is TL 38,873,445,714 as of the end of 2013.

#### 3.4.2.7 Domestic Banks

"7. Domestic Banks" item represents foreign exchange deposits with the CBRT as counterparty and foreign exchange deposits intermediated by the CBRT. The balance of this item was TL 19,608,600 as of 31.12.2012. As there are no foreign exchange deposit operations since 2 January 2013, this item has no balance as of the end 2013.

Table 18: Domestic Banks	2013	2012
FX Deposits Intermediated by the CBRT	-	19,608,600
<b>TOTAL</b>	<b>-</b>	<b>19,608,600</b>

### 3.4.2.8. Credits and Claims under Legal Proceedings

Domestic credits, which are extended to banks against rediscounted bills, consist of USD 4,631,848,057, EUR 1,171,416,435 and GBP 2,155,946, equivalent to TL 13,333,188,058. The year-end balance of domestic credits including accruals is TL 13,307,133,918.

Foreign credits consist of credits extended to the Central Bank of Sudan and the Bank of Albania. In accordance with the Banking Agreement between the CBRT and the Central Bank of Sudan, foreign credits amount to USD 9,061,417 equivalent to TL 19,339,782 were extended. Credits extended due to claims on non-performing loans in the scope of the Banking Agreement between the CBRT and the Bank of Albania, which was terminated on 31 December 1990, are USD 1,281,795 equivalent to TL 2,735,735. The amount of this item, including the income accrual is TL 2,741,392.

	2013	2012
Domestic Credits	13,307,133,918	6,800,716,530
Foreign Credits	22,081,174	21,930,226
Claims under Legal Proceedings (Net)	-	-
Claims under Legal Proceedings	3,262,625,715	2,720,438,971
Provisions for Claims under Legal Proceedings (-)	-3,262,625,715	-2,720,438,971
<b>TOTAL</b>	<b>13,329,215,092</b>	<b>6,822,646,756</b>

The claims on the Central Bank of Iraq are USD 1,435,736,065 equivalent to TL 3,064,291,483 and its interest income accruals are USD 352,588 equivalent to TL 752,529 while the claims arising from the credit extended against bills for the Iraq Bekhme Dam Project are USD 92,574,475 equivalent to TL 197,581,703. Monthly interest is accrued on the credits extended to the Central Bank of Iraq. As per Article 323 of the Tax Procedure Law No.213, a provision has been made for the principal payment and the interest accrued. As a provision of TL 3,262,625,715 has been set for these claims as an offsetting item, this account has no balance as of the year-end.

### 3.4.2.9. Share Participations

The CBRT's share participations in the BIS and SWIFT are valued at fair value, while the share participations in the IILM are recorded at historical cost since the fair value cannot be determined.

The share participation in the BIS, which is acquired under the scope of central banking activities and classified as an available-for-sale financial asset, is recognized at fair value calculated as 70% of the net asset value of the BIS.

Nature of Business	2013			2012		
	Ownership (%)	TL	Foreign Currency	Ownership (%)	TL	Foreign Currency
<b>BIS</b> Banking supervision services	1.43	566,317,025	SDR 10,000,000	1.43	27,536,000	SDR 10,000,000
<b>SWIFT</b> Electronic fund transfer services	0.007	66,717	EUR 22,720	0.007	61,897	EUR 26,320
<b>IILM</b> Liquidity management	13.33	21,343,000	USD 10,000,000	13.33	17,826,000	USD 10,000,000
<b>TOTAL</b>		<b>587,726,743</b>			<b>45,423,897</b>	

The movement in share participations is as follows:

<b>Table 21: Movement in Share Participations</b>	<b>2013</b>	<b>2012</b>
Opening balance	45,423,897	48,173,516
Adjustment (Explanation no. 3.4.1)	494,425,901	-
Fair value changes	47,876,944	-2,749,619
<b>Closing Balance</b>	<b>587,726,743</b>	<b>45,423,897</b>

#### 3.4.2.10. Fixed Assets (Net)

The CBRT's fixed assets consist of lands, buildings, furniture and fixtures and software products.

<b>Table 22: Movement in Fixed Assets</b>	<b>Land and Building</b>	<b>Furniture and Fixtures</b>	<b>Software</b>	<b>Total</b>
<b>2013 Opening Net Book Value</b>	<b>259,145,148</b>	<b>39,384,201</b>	<b>1,981,637</b>	<b>300,510,986</b>
Adjustment (Explanation no. 3.4.1)	-58,266,557	10,293,078	1,019,111	-46,954,368
Additions	365,232,646	45,713,369	1,974,389	412,920,403
Disposals (Net)	-	-1,045,277	-13,607	-1,058,884
Depreciation charge	-6,201,743	-15,959,927	-2,224,243	-24,385,914
<b>2013 Closing Net Book Value</b>	<b>559,909,494</b>	<b>78,385,444</b>	<b>2,737,286</b>	<b>641,032,223</b>

<b>2013</b>	<b>Land and Building</b>	<b>Furniture and Fixtures</b>	<b>Software</b>	<b>Total</b>
Cost	702,394,198	166,442,488	17,962,599	886,799,285
Accumulated Depreciation	-142,484,704	-88,057,044	-15,225,314	-245,767,062
<b>Net Book Value</b>	<b>559,909,494</b>	<b>78,385,444</b>	<b>2,737,286</b>	<b>641,032,223</b>

<b>2012</b>	<b>Land and Building</b>	<b>Furniture and Fixtures</b>	<b>Software</b>	<b>Total</b>
Cost	337,161,552	124,135,942	20,204,342	481,501,837
Accumulated Depreciation	-78,016,404	-84,751,742	-18,222,705	-180,990,851
<b>Net Book Value</b>	<b>259,145,148</b>	<b>39,384,201</b>	<b>1,981,637</b>	<b>300,510,986</b>

#### 3.4.2.11 Other Assets

<b>Table 23: Other Assets</b>	<b>2013</b>	<b>2012</b>
Gold in non-international standard	261,996,936	303,056,915
Coins	68,020,952	89,823,837
Income accruals	29,054,803	51,472,691
Charges and commissions due from the Treasury	17,150,100	11,043,554
EFT fees	10,795,947	8,316,719
Other	1,108,757	32,112,418
Other	734,669,391	779,420,454
Prepaid taxes to be deducted from corporate tax	643,420,572	728,759,997
Depots	46,910,766	34,396,929
Prepaid expenses	961,473	1,135,485
Other	43,376,580	15,128,043
<b>TOTAL</b>	<b>1,093,742,082</b>	<b>1,223,773,896</b>

## 3.4.2.12. Currency Issued

<b>Table 24: Currency Issued</b>	<b>2013</b>	<b>2012</b>
Balance on 1 January	60,525,482,148	55,103,173,646
Banknotes put into circulation	41,353,594,407	30,700,615,312
Banknotes withdrawn from circulation and destroyed	-27,064,486,827	-25,278,306,810
<b>Balance on 31 December</b>	<b>74,814,589,728</b>	<b>60,525,482,148</b>

Banknotes in circulation, issued pursuant to the Central Bank Law No. 1211 amount to TL 74,814,589,728 as of 31 December 2013.

## 3.4.2.13. Deposits

<b>Table 25: Deposits</b>	<b>2013</b>	<b>2012</b>
<b>Public sector deposits</b>	<b>27,488,714,052</b>	<b>16,509,733,021</b>
Treasury, general and special budget administrations	27,365,176,586	16,441,934,389
Other	123,537,465	67,798,633
<b>Banking sector deposits</b>	<b>188,585,936,880</b>	<b>128,628,657,008</b>
Domestic banks	32,204,712,843	28,432,903,795
Deposits of banks	17,460,789	47,119,418
Free required reserves	32,187,252,054	28,385,784,377
Foreign banks	5,734,055	5,755,891
Required reserves in blocked accounts	156,375,051,205	100,189,811,044
Cash	123,097,074,552	76,964,454,680
Gold	33,277,976,653	23,225,356,364
Other	438,776	186,279
<b>Other deposits</b>	<b>12,250,828,109</b>	<b>14,334,741,221</b>
Deposits by citizens abroad	11,320,996,460	12,542,010,517
Deposits by international institutions	9,939,108	9,928,575
IMF	9,879,578	9,928,567
Other	59,529	8
Extrabudgetary funds	776,292,991	1,776,814,525
Other	143,599,551	5,987,604
Financing companies	135,386,157	-
Deposits by embassies	1,392,160	1,059,020
Other	6,821,234	4,928,584
<b>TOTAL</b>	<b>228,325,479,041</b>	<b>159,473,131,251</b>

## 3.4.2.14. Tax Obligation

The CBRT is subject to corporate tax. Provision has been made in the financial statements for the estimated tax liability of the CBRT based on the results of its activities in the current period.

The amount of corporate tax to be applied on taxable corporate income is calculated over the profit by adding back non-deductible expenses and by deducting income and allowances that are exempt from taxes.

<b>Table 26: Taxes Payable</b>	<b>2013</b>	<b>2012</b>
Corporate tax	889,835,346	743,352,862
Other taxes	49,804,033	54,355,110
<b>TOTAL</b>	<b>939,639,379</b>	<b>797,707,971</b>

The effective corporate tax rate in 2013 is 20% (2012: 20%). In Turkey, advance tax is calculated and accrued on a quarterly basis. Advance corporate income tax rate applied in 2013 is 20% (2012: 20%).

For temporary differences arising from the differences in the provisions of the Turkish Commercial Code and the tax legislation, deferred tax asset and liability are calculated over the effective corporate tax rate of 20% (2012: 20%).

The breakdown of temporary differences and the resulting deferred income tax assets/liabilities as of the end of 2013 is as follows:

<b>Table 27: Temporary Differences and Deferred Income Tax Assets/ Liabilities</b>	<b>2013</b>	
	<b>Total Temporary Differences</b>	<b>Deferred Tax Asset/ Liability</b>
Total assets	170,974,956	34,194,991
Retirement pay and employment termination benefit obligations	128,169,528	25,633,906
Fixed assets depreciation adjustment	42,805,428	8,561,086
Total liabilities	-533,422,025	-26,671,101
Fair value adjustment of the BIS participation share	-533,422,025	-26,671,101
<b>Net Asset/Liability</b>	<b>-362,447,069</b>	<b>7,523,890</b>

The movement of deferred income tax asset on 31 December 2013 is as follows:

<b>Table 28: Deferred Tax Asset Movement</b>	<b>2013</b>
Balance on 1 January	-
Adjustment (Explanation no. 3.4.1)	8,527,617
Deferred tax related to profit and loss statement (Net)	1,568,100
Deferred tax related to other liability accounts	-2,571,827
<b>Balance on 31 December</b>	<b>7,523,890</b>

#### 3.4.2.15. Provisions

As per Article 59 of the Central Bank Law No. 1211, a provision of TL 165,700,000 has been set aside as insurance provision for valuables in transit during the period. The year-end balance of the insurance provision for valuables in transit is TL 243,056,337 in total.

<b>Table 29: Provisions</b>	<b>2013</b>	<b>2012</b>
Retirement pay and employment termination benefit provisions	128,169,528	126,040,166
Other provisions		
Insurance provision for valuables in transit	243,056,337	77,356,337
<b>TOTAL</b>	<b>371,225,865</b>	<b>203,396,503</b>

Under the Turkish Labor Law No. 1475 and the Pension Fund Law No. 5434, employers are obliged to pay the retirement and employment termination benefits to the employees whose contracts have expired and who are entitled to leave the work by receiving termination and retirement benefits.

Provisions for retirement pay and employment termination benefits are calculated by estimating the present value of the probable future obligation of the CBRT arising from the retirement of its employees. Accordingly, actuarial assumptions, which are used to calculate total liabilities are presented below.

The principal actuarial assumption is that the maximum liability for each year of service will increase in line with the inflation. Thus, the discount rate applied represents the expected real rate after the effects of future inflation are adjusted. Therefore, as of the year-end, provisions in the financial statements are calculated by estimating the present value of the probable future obligation arising from the retirement of the employees. The provisions on the respective balance sheet dates have been calculated based on the real discount rate of approximately %1.28 (2012: %0.74), using the estimated annual inflation rate of %5.88 and interest rate of %7.23.

The probability of retirement for both periods has been taken as % 99.72.

As the ceiling amount of termination benefit is revised semi-annually, the maximum amount of TL 3,254 (2012: TL 3,034) effective from 1 July 2013 has been taken into consideration in calculating the provision for the termination benefit obligation of the CBRT's employees.

The movement in the retirement pay and employment termination benefit obligations is as follows:

<b>Table 30: Movement in Retirement Pay and Employment Termination Benefit Obligations</b>	<b>2013</b>	<b>2012</b>
<b>Provision as of 1 January</b>	<b>126,040,166</b>	<b>111,206,859</b>
Adjustment (Explanation no. 3.4.1)	-6,749,972	-
Provision set aside	14,933,596	18,610,622
Actuarial loss/gain	-3,112,365	-
Retirement pay and employment termination benefits paid	-2,941,896	-3,777,315
<b>Provision as of 31 December</b>	<b>128,169,528</b>	<b>126,040,166</b>

#### 3.4.2.16. Capital and Reserves

<b>Table 31: Capital and Reserves</b>	<b>2013</b>	<b>2012</b>
Paid-in capital	25,000	25,000
Inflation adjustment for paid-in capital	46,208,524	46,208,524
Reserves	9,245,105,407	7,819,982,200
Ordinary reserves	5,746,220,976	4,728,275,721
Extraordinary reserves	3,484,858,601	3,077,680,649
Special reserves	14,025,831	14,025,831
<b>TOTAL</b>	<b>9,291,338,931</b>	<b>7,866,215,724</b>

The shareholders of the CBRT as of the end of 2013 and 2012 are listed below:

<b>Table 32: The Shareholders</b>	<b>2013</b>		<b>2012</b>	
	<b>TL</b>	<b>Share(%)</b>	<b>TL</b>	<b>Share(%)</b>
Undersecretariat of Treasury	13,780	55.12	13,780	55.12
T.C. Ziraat Bankası A.Ş.	4,806	19.23	4,806	19.23
TCMB Mensupları Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı	1,280	5.12	1,280	5.12
Türkiye Garanti Bankası A.Ş.	621	2.48	621	2.48
Türkiye İş Bankası A.Ş.	582	2.33	582	2.33
Other	3,931	15.72	3,931	15.72
Paid-in Capital	25,000	100.00	25,000	100.00
Inflation adjustment for share capital	46,208,524		46,208,524	
<b>Total Paid-in Capital</b>	<b>46,233,524</b>		<b>46,233,524</b>	

#### 3.4.2.17. Revaluation Account

<b>Table 33: Revaluation</b>	<b>2013</b>	<b>2012</b>
Revaluation account	22,164,507,125	13,655,426,528

This item, which shows the unrealized gains and losses arising from the valuation of gold, foreign exchange and banknotes, other assets and obligations in terms of foreign currency in the assets and liabilities of the CBRT due to changes in the value of the Turkish currency against the foreign currencies and changes in gold prices in international markets, has a balance of unrealized gain amounting to TL 22,164,507,125 at the year-end.

#### 3.4.2.18. Other Liabilities

<b>Table 34: Other Liabilities</b>	<b>2013</b>	<b>2012</b>
Treasury Gold	28,491,276	32,956,408
Letters of Credit	931,012,876	776,882,944
Expense accruals	3,587,825	281,283,840
Other	796,217,549	421,524,741
Difference arising from changes in the accounting policy	509,232,229	-
Blocked accounts as per the decisions of tax offices and courts	19,287,595	16,362,860
Amounts to be debited to foreign correspondent accounts on next year's value date	236,289,898	294,496,892
Other	31,407,827	110,664,989
<b>TOTAL</b>	<b>1,759,309,526</b>	<b>1,512,647,933</b>

#### 3.4.2.19 Regulating Accounts

Regulating accounts, which are expressed in terms of Turkish lira, foreign exchange and units, have a balance of TL 841,907,412,091 as of the year-end.

## 3.4.2.20. Profit/Loss

<b>Table 35: Profit/Loss</b>	<b>2013</b>	<b>2012</b>
<b>NET INTEREST INCOME/EXPENSE</b>	<b>3,802,208,970</b>	<b>4,473,740,632</b>
<b>Interest Income</b>	<b>4,389,412,092</b>	<b>5,484,239,970</b>
TL and FX securities portfolio	2,531,419,479	2,820,598,871
Securities purchased under agreements to resell	1,796,490,862	2,602,842,089
Interbank operations	10,809,851	14,438
Credits	35,343,293	39,183,965
Banks	15,348,606	21,600,608
<b>Interest Expense</b>	<b>-587,203,122</b>	<b>-1,010,499,338</b>
FX deposits by citizens abroad	-125,990,736	-190,821,331
Open market operations	-8,856,685	-444,510,972
Interbank operations	-16,107,353	-21,714,139
Treasury accounts	-433,697,410	-346,549,732
IMF general resource allocation (GRA) charges	-2,529,648	-2,818,070
Banks	-21,291	-4,085,094
<b>NET FEE AND COMMISSION INCOME/EXPENSE</b>	<b>337,170,813</b>	<b>251,647,138</b>
<b>Fee and commission income</b>	<b>353,397,586</b>	<b>265,322,633</b>
EFT transaction fees and commissions	173,351,341	132,157,349
Commissions due from the Treasury	133,277,544	110,850,847
Commission and maintenance fees due from banks	38,366,032	13,597,329
Other fund transfer fees	2,169,288	3,034,676
Other	6,233,380	5,682,432
<b>Fee and commission expense</b>	<b>-16,226,772</b>	<b>-13,675,494</b>
Commission and maintenance fees due to banks	-16,056,318	-13,526,922
Other	-170,454	-148,572
<b>NET NON-INTEREST INCOME/EXPENSE</b>	<b>1,779,226,590</b>	<b>364,338,504</b>
<b>Non-Interest Income</b>	<b>5,520,358,878</b>	<b>2,403,014,536</b>
Profit on purchase and sale of FX	5,454,556,239	2,394,171,024
Securities portfolio trading income	51,623,250	-
Dividend income	6,903,206	1,583,096
Deferred tax income	1,568,100	-
Other	5,708,083	7,260,415
<b>Non-Interest Expense</b>	<b>-3,741,132,288</b>	<b>-2,038,676,032</b>
Loss on purchase and sale of FX	-20,234,464	-432,283,072
Securities portfolio trading loss and fair value decrease	-2,245,959,816	-1,020,559,054
Provision expense for claims under legal proceedings	-542,186,743	155,897,753
Insurance provision for valuables in transit	-165,700,000	-24,113,937
Wages and salaries	-564,945,253	-514,387,884
Social security costs	-45,637,590	-50,018,349
Operating expenses	-67,723,550	-66,452,678
Banknote paper and ink expenses	-62,568,648	-60,632,340
Depreciation charges	-24,406,445	-22,374,936
Other	-1,769,779	-3,751,536
<b>NET PROFIT/LOSS</b>	<b>5,918,606,373</b>	<b>5,089,726,275</b>

### 3.4.2.21. Profit Distribution

Paragraph 5 of Article 64 of the Turkish Commercial Law No. 6102 amended with the Law No. 6335 stipulates that natural and legal persons, who are subject to the Turkish Commercial Law, are also obliged to conform to the regulations made based on the provisions of the Tax Procedure Law No. 213 concerning book keeping and recording as well as on the power entrusted with Article 175 and the repeating Article 257 of the same law. According to the aforementioned paragraph, provisions of the Law No. 6102 concerning book keeping, inventory, financial statement preparation, capitalization, provisions, accounts, valuation, maintenance and submission do not impede the implementation of the Law No. 213 and the related provisions of other tax laws, nor do they impede the determination of tax base in compliance with tax laws and the preparation of related financial statements.

The profit of the CBRT for the 2013 period is TL 5,915,992,659, which has been stated in its accounting books kept according to the provisions of the Tax Procedure Law No. 213. Taking into account Articles 56 and 60 of the CBRT Law No. 1211 and the provisions of Article 64 of the Turkish Commercial Law No. 6102 amended with the Law No. 6335, distribution of the profit is as follows:

<b>Table 36: Profit Distribution (Article 60 of the Law No. 1211)</b>	<b>2013</b>	<b>2012</b>
<b>Reported profit (Turkish Commercial Law No. 6102)</b>	<b>5,918,606,373</b>	
Reporting adjustments	2,613,714	
<b>Profit to be distributed</b>	<b>5,915,992,659</b>	<b>5,089,726,275</b>
Tax provisions	889,835,346	743,352,862
Corporate income tax	889,835,346	743,352,862
Profit after tax	5,026,157,313	4,346,373,413
Other distributions	1,663,918,042	1,435,078,949
1-Reserves	1,656,477,795	1,425,123,207
Ordinary reserves	1,183,198,532	1,017,945,255
Extraordinary reserves	473,279,263	407,177,952
2-Shareholders	3,000	3,000
First dividends	1,500	1,500
Second dividends	1,500	1,500
3-Bonus to the personnel (Article 60/c)	7,437,247	9,952,742
<b>The amount to be transferred to the Treasury</b>	<b>3,362,239,272</b>	<b>2,911,294,464</b>

### 3.5. Explanations on Operating Expenses

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

**Table 37: Operating Expenses for Operational Activities of the CBRT**

With 2003 prices, TL	2012 (TL)	2013 (TL)	% Change
I- Personnel Expenses	272,877,527	276,261,076	1
II-Other Expenses	43,786,891	30,460,368	-30
III-Banknote Printing Expenses	29,314,352	28,141,821	-4
<b>TOTAL</b>	<b>345,978,770</b>	<b>334,863,265</b>	<b>-3</b>

In 2013, there was an increase in personnel expenses and a decrease in other expenses and banknote printing expenses compared to 2012.

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

Within the framework of the policy of cutting personnel expenses and increasing productivity by employing a smaller number of employees with higher qualifications, facilitated by the adoption of up-to-date technology and utilization of qualified human resource, the number of Bank personnel decreased by 2 percent, from 4,755 in 2004 to 4,676 in 2013.

Compared to 2012, there was a 1 percent increase in personnel expenses. There was also a 3 percent increase in salaries and fringe benefits, which constituted a significant portion of personnel expenses. In 2013, the amount of gross salaries paid to the senior management of the Bank, comprising the Board, the Executive Committee, the Monetary Policy and the Auditing Committee was TL 5,011,734. This amount accounts for 1 percent of total salaries and fringe benefits paid to the Bank personnel in 2013.

- **Other expenses:** There was a 30 percent decrease in 2013 from the previous year. This resulted from the decrease in insurance provisions for valuables in transit, social expenses, expenses related to maintenance and repair compared to 2012.
- **Banknote printing expenses:** There was a 4 percent decrease in 2013 compared to the previous year.
- The Bank, in performing the main duties (such as issuing banknotes, determining the monetary policy, achieving price stability and managing foreign exchange reserves of the country) assigned to it by the Bank's Law, and in the meantime, keeping up with technological developments, prepares its budget adhering to the principle of frugality in both operating expenses and also investment expenditures.

## 3.6. Audit at the CBRT and Audit Reports

### 3.6.1. Audit at the Bank

The Bank operates as a joint stock company. The Bank's activities are audited by both internal and external auditors in compliance with the regulations of the Bank Law No. 1211.

#### Audits Conducted by the Internal Organs of the Bank

In accordance with Article 15 of the Bank Law, the General Assembly examines and resolves whether to approve the annual report submitted by the Board of the Bank, the report of the Auditing Committee, the Bank's balance sheet, and profit and loss accounts. The General Assembly completes the monitoring of the activities of the Bank by clearing the Board of the Bank and the Auditing Committee.

In accordance with Article 24 of the Bank Law, the Auditing Committee supervises all the operations and accounts of the Bank and submits a report to be drawn upon operations and accounts of the Bank at the end of the year to the General Assembly. Under the authority of the Bank's Law, the Auditing Committee has the responsibility to submit its written opinions to the Board and also to present a copy thereof to the Prime Ministry.

According to Articles 44 and 45 of the Main Regulation on Organization and Duties of the Bank, the authority of and responsibility for auditing the Bank's transactions are entrusted to the Audit Department.

The Department has the duty and authority to conduct audits, examinations and research, carry out investigations and offer consulting services when needed in the units, branches and representative offices of the Bank and also at institutions and organizations other than the Bank that fall within the scope of authorities and duties granted by the Law No. 1211 as well as other legislations.

The Audit Department is composed of 18 chief inspectors, 6 chief auditors, 20 inspectors, 1 auditor, 3 IT auditors, 15 assistant auditors and 2 IT assistant auditors. Among those, one chief inspector and one IT auditor are assigned to assist the Executive Director in the conduct of his duties.

Being one of the leading institutions in the country that has "Internal Audit Quality Assurance Assessment", which is accepted as an indicator of the importance given to the execution of the internal audit activity within the framework of international standards, the Bank was given the "Internal Audit Awareness" award by the Institute of Internal Auditors of Turkey at a ceremony held on 29 May 2012.

The system of "Follow-up of Audit Results", which was established to monitor whether the necessary actions are taken regarding the issues in the audit reports, to inform and take opinions of the Executive Committee, the Board and the Auditing Committee, was held in May and December this year.

#### Audits Conducted by External Auditors

Article 42 of the Bank Law constitutes the legal basis of external auditing of the Bank. Accordingly, the Prime Minister may request an audit of the Bank's transactions and accounts.

In accordance with Article 42 of the Bank Law, the Governor submits a report to the Council of Ministers on the operations of the Bank and the monetary policy followed and to be followed, each year in April and October. The Bank furnishes information regarding its operations to the Planning and Budget Commission of the Grand National Assembly of Turkey twice a year.

In accordance with the second paragraph of the same Article, the Bank may assign external auditors to audit the balance sheet and profit and loss statement of the Bank. An independent external review of the Bank's accounts has been deemed vital to the corporate governance of the Bank, and was first initiated in 2000. As part of the transparency and accountability principles adopted, the reports prepared following the audit engagements each year are made public via the Bank's website.

In addition to these audits, the Undersecretariat of the Treasury, the State Supervisory Commission, the Turkish Court of Accounts, some ministries and other authorized government agencies may conduct audits through their auditors in the Bank on the subjects related to their duties, if needed.

### 3.6.2. CBRT Auditing Committee Report

**CENTRAL BANK OF THE REPUBLIC OF TURKEY  
JOINT STOCK COMPANY**

**AUDITING COMMITTEE  
AUDITING COMMITTEE REPORT  
FOR THE EIGHTY-SECOND ACCOUNTING YEAR OF THE  
CENTRAL BANK OF THE REPUBLIC OF TURKEY**

The Auditing Committee has audited the activities and resulting statements of the 2013 Accounting Year of the Central Bank of the Republic of Turkey within the framework of the provisions of the related legislation, and concluded that:

1. Cash, gold holdings, foreign exchange banknotes and securities in the service and reserve vaults of the Head Office and Branches, which were subject to audit and stock-taking, are in conformity with the records as well as the legal books, and these values are kept and administered in accordance with the instructions,
2. The books related to the Bank's accounts were examined and it was ascertained that; the records were kept properly and per legislation, the Bank's operations were in conformity with the Central Bank Law and the Articles of Association, and the domestic loans extended by the Bank were within the limits set forth.
3. The Balance Sheet dated 31 December 2013 and the Profit and Loss Statement created for the period between 01/01/2013 and 31/12/2013 are in compliance with the Valuation Principles and the generally accepted standards of accounting stipulated by the Turkish Commercial Code, the Central Bank Law and the Tax Laws,
4. The financial statements compiled to present the financial position of the Central Bank of the Republic of Turkey by 31 December 2013, and the results of activities relating to the year that ended on the same date are presented in an accurate, correct and clear manner pursuant to the legislation in force in Turkey and the Central Bank Law,
5. The trial for the legal liability lawsuit filed by the Bank continues.

In conclusion, we hereby submit the Balance Sheet and the Profit and Loss Statement dated 31 December 2013 for approval of the General Assembly.

Ankara, 14/03/2014



**Mustafa Saim UYSAL**  
Auditing Committee Member



**Prof. Dr. Hasan TÜREDİ**  
Auditing Committee Member



**Yasin AYDIN**  
Auditing Committee Member



**Ahmet Fethi TOPTAŞ**  
Auditing Committee Member

### 3.6.3. Independent Audit Report Drawn up in Compliance with the Central Bank Law and Related Legislation\*

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

We have audited the accompanying financial statements of the Central Bank of the Republic of Turkey (the "Bank") which comprise the balance sheet as of 31 December 2013 and statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

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

#### Auditor's responsibility

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

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

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

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Central Bank of the Republic of Turkey and related legislation.

#### Other matter

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

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

#### Additional Paragraph for English Translation

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

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

Müjde Şehsuvaroğlu  
Partner  
İstanbul, 28 February 2014

(\*) The full report takes place on the Bank's web site ([www.tcmb.gov.tr](http://www.tcmb.gov.tr)), under Publications/ Reports/ Independent Audit Reports

### 3.6.4. Independent Audit Report Drawn up in Compliance with IFRS<sup>(\*)</sup>

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

We have audited the accompanying financial statements of the Central Bank of the Republic of Turkey (the "Bank") which comprise the statement of financial position as of 31 December 2013 and the statement of profit or loss, statement of other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### The Bank Management's Responsibility for the Financial Statements

The Bank management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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

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

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

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

İstanbul, 7 March 2014

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

(\*) The full report takes place on the Bank's web site ( [www.tcmb.gov.tr](http://www.tcmb.gov.tr)), under Publications/ Reports/ Independent Audit Reports

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