

Annual Report
2015



TÜRKİYE CUMHURİYET
MERKEZ BANKASI

CBRT Activities 2015

Monetary and Exchange
Rate Policy

Cultural Activities

Institutional

Training-Conference

Other

20 January 2015

The MPC meeting was held. The one-week repo rate was cut from 8.25 percent to 7.75 percent, while the overnight borrowing rate and the marginal funding rate were kept unchanged at 7.50 percent and 11.25 percent, respectively.

23 January 2015

The limits were raised and the scope was widened for Export Rediscount Credits. Some additional facilities were introduced regarding the utilization of these credits.

26 January 2015

The CBRT Communique No. 2015/1, which sets the amounts that the drawee bank is liable for in case of dishonored checks, was published in the Official Gazette.

27 January 2015

The Inflation Report 2015-I was presented at a press conference.

Pursuant to Article 42 of the CBRT Law, an Open Letter was written to the Government.

2 February 2015

Governor Erdem Başçı delivered a presentation on "On the Value of Price Stability" in Budapest.

7 February 2015

An international workshop on "Causes and Effects of Oil Price Movements and Policy Implications" was organized in Istanbul.

9 February 2015

Upon the invitation of the CBRT, the G20 Central Bank Governors convened at a meeting organized jointly with the BIS in Istanbul.

Governor Erdem Başçı delivered a presentation on "Price Stability and Growth in Turkey" in Istanbul.

13 February 2015

FX reserve requirement ratios were re-arranged and ROCs were revised.

24 February 2015

The MPC meeting was held. The one-week repo rate was cut from 7.75 percent to 7.5 percent, the overnight borrowing rate from 7.5 percent to 7.25 percent, the marginal funding rate from 11.25 percent to 10.75 percent and the late liquidity window lending rate from 12.75 percent to 12.25 percent.

27 February 2015

It was announced that the amount of foreign exchange selling auction would be set on a daily basis depending on the conditions in the foreign exchange market and that it would be increased up to 50% of the pre-announced minimum amount on days when deemed necessary.

ROCs were revised.

10 March 2015

The rates applied to banks' one-week-maturity borrowings from the CBRT were reduced from 7.5% to 4.5% for USD and from 6.5% to 2.5% for EUR.

13 March 2015

FX reserve requirement ratios were re-arranged.

17 March 2015

The MPC meeting was held. The one-week repo rate was kept unchanged at 7.5 percent, the overnight borrowing rate at 7.25 percent and the marginal funding rate at 10.75 percent.

18 March-28 April 2015

Commemorating the 100th anniversary of Çanakkale Victory and Çanakkale Land Battles, the exhibition, "From Red to Blue Contemporary Turkish Painting", featuring a selection of works from the Art Collection of the CBRT was held in Çanakkale.

6 April 2015

Governor Erdem Başçı delivered a presentation at the Banks Association of Turkey.

9 April 2015

The 83rd Ordinary General Assembly Meeting of the CBRT was held.

10 April 2015

It was announced that the amount of foreign exchange selling auction would be increased up to USD 30 million above the pre-announced minimum amount.

18 April 2015

Governor Erdem Başçı delivered a presentation on "Economic Outlook and Monetary Policy" in Washington DC.

22 April 2015

The MPC meeting was held. The one-week repo rate was kept unchanged at 7.5 percent, the overnight borrowing rate at 7.25 percent and the marginal funding rate at 10.75 percent.

24 April 2015

The rates applied to banks' one-week-maturity borrowings from the CBRT were reduced from 4.5% to 4% for USD and from 2.5% to 2% for EUR.

27 April 2015

Governor Erdem Başçı delivered a presentation to the Council of Ministers.

30 April 2015

The Inflation Report 2015-II was presented at a press conference.

Inflation Report briefings started to be webcast live on the CBRT website.

5 May 2015

USD denominated required reserves, reserve options and free reserves held at the CBRT started to be remunerated.

8 May 2015

The remuneration rate for the required reserves maintained in Turkish liras was increased.

14 May-31 July 2015

The exhibition, "Imagination, Place and Time in Contemporary Turkish Painting", featuring a selection of works from the CBRT's Art Collection welcomed Azerbaijani art lovers in Baku.

20 May 2015

The MPC meeting was held. The one-week repo rate was kept unchanged at 7.5 percent, the overnight borrowing rate at 7.25 percent and the marginal funding rate at 10.75 percent.

28-31 May 2015

An international workshop on "Monetary Policy in Emerging Economies" was held in Izmir.

29 May 2015

The Financial Stability Report 2015-I was published.

30 May 2015

The coverage of liabilities subject to reserve requirements of foreign branches of banks incorporated in Turkey was broadened.

5 June 2015

Regarding the utilization of rediscount credit limits, regulations were introduced on company basis.

9 June 2015

The rates applied to banks' one-week-maturity borrowings from the CBRT were reduced from 4% to 3.5% for USD and from 2% to 1.5% for EUR.

14 June 2015

An international workshop on "International Monetary and Financial System: short-term challenges, long-term solutions" was organized in Bodrum.

19 June 2015

The CBRT decisions regarding authorization of Istanbul Settlement and Custody Bank (Takasbank) and the Central Registry Agency (MKK) to act as securities settlement system operators and authorization of the Interbank Card Center (BKM), the Interbank Clearing House (ICH) and Garanti Payment Systems Corp. (GÖSAŞ) to act as payment systems operators were published in the Official Gazette.

23 June 2015

The MPC meeting was held. The one-week repo rate was kept unchanged at 7.5 percent, the overnight borrowing rate at 7.25 percent and the marginal funding rate at 10.75 percent.

23 July 2015

The MPC meeting was held. The one-week repo rate was kept unchanged at 7.5 percent, the overnight borrowing rate at 7.25 percent and the marginal funding rate at 10.75 percent.

24 July 2015

The USD deposit rate at one week maturity was reduced from 3.5% to 3%. It was announced that when deemed necessary, without any need for a separate press release, these rates for the USD and EUR would be adjusted in either direction at 9:30 a.m. on business days, and would be valid for the same business day.

30 July 2015

The Inflation Report 2015-III was presented at a press conference.

18 August 2015

The MPC meeting was held. The one-week repo rate was kept unchanged at 7.5 percent, the overnight borrowing rate at 7.25 percent and the marginal funding rate at 10.75 percent.

The "Road Map During the Normalization of Global Monetary Policies" was announced.

19 August 2015

It was announced that the FX selling auction amount might be increased by up to USD 70 million above the preannounced minimum amount when deemed necessary.

29 August 2015

FX reserve requirement ratios were changed.

31 August-1 September 2015

The international conference, "G20 Global Islamic Finance Conference: Benefits and Challenges" was held in Istanbul.

1 September 2015

The banks' transaction limits in the CBRT Foreign Exchange and Banknotes Markets were increased approximately by 130% to USD 50 billion.

The remuneration rate for the required reserves maintained in Turkish liras was increased.

22 September 2015

The MPC meeting was held. The one-week repo rate was kept unchanged at 7.5 percent, the overnight borrowing rate at 7.25 percent and the marginal funding rate at 10.75 percent.

23 September 2015

In line with the "Road Map During the Normalization of Global Monetary Policies", the quotation on the interest rate on borrowing facilities provided for primary dealers via repo transactions was terminated.

The winners of the "2015 Research Awards" organized by the CBRT were announced.

28 September 2015

In line with the "Road Map During the Normalization of Global Monetary Policies", collateral conditions were simplified.

29 September 2015

Governor Erdem Başçı delivered a presentation at the Banks Association of Turkey.

30 September 2015

Governor Erdem Başçı delivered a presentation on "Prudence as a Fuel of Balanced Growth" in Budapest.

1 October 2015

The remuneration rate for the required reserves maintained in Turkish liras was increased.

9 October 2015

Governor Erdem Başçı delivered a presentation on "Balanced Growth Prospects in Turkey" in Lima.

21 October 2015

The MPC meeting was held. The one-week repo rate was kept unchanged at 7.5 percent, the overnight borrowing rate at 7.25 percent and the marginal funding rate at 10.75 percent.

28 October 2015

The Inflation Report 2015-IV was presented at a press conference.

5 November 2015

Governor Erdem Başçı delivered a presentation on "Balanced Growth Prospects in Turkey" in Ankara.

15-16 November 2015

The exhibition "Aesthetic Heritage: Calligraphy - Ebru (Marbling) - Sedefkârlık (Mother-of-Pearl Inlay)" was held in Antalya in the scope of the cultural activities for the G20 Antalya Summit.

16 November 2015

The Bilateral Currency Swap Agreement with the People's Bank of China was renewed.

18 November 2015

The CBRT decision approving the hosting of the information systems of the Capital Markets Licensing and Training Agency of Turkey on the servers of the MKK was published in the Official Gazette.

24 November 2015

The MPC meeting was held. The one-week repo rate was kept unchanged at 7.5 percent, the overnight borrowing rate at 7.25 percent and the marginal funding rate at 10.75 percent.

30 November 2015

The Financial Stability Report 2015-II was published.

1 December 2015

The remuneration rate for the required reserves maintained in Turkish liras was increased.

9 December 2015

"The Monetary and Exchange Rate Policy for 2016" was presented at a press conference.

22 December 2015

The MPC meeting was held. The one-week repo rate was kept unchanged at 7.5 percent, the overnight borrowing rate at 7.25 percent and the marginal funding rate at 10.75 percent.

25 December 2015

For the first time, the Financial Accounts Tables and the Financial Accounts Report started to be published as the stock and flow accounts of all economic sectors based on consolidated and non-consolidated items and by quarters.

26 December 2015

Some regulations were made to strengthen the automatic stabilizing feature of the Reserve Options Mechanism (ROM).

31 December 2015

Calculation of the amount of FX that will be held under ROM was revised.

As the 10-year redemption period for the E7 Emission Group banknotes with denominations of 250,000; 500,000; 1,000,000; 5,000,000; 10,000,000 and 20,000,000 TL, which had been withdrawn from circulation as of 1 January 2006, ended on 31 December 2015, close of business, these banknotes lost their value as of 1 January 2016.

Central Bank of the Republic of Turkey

Trade Registry Number: 269

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THE EIGHTY-FOURTH ACCOUNTING YEAR

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On 11 April 2016

ANKARA

2016

Annual Report 2015

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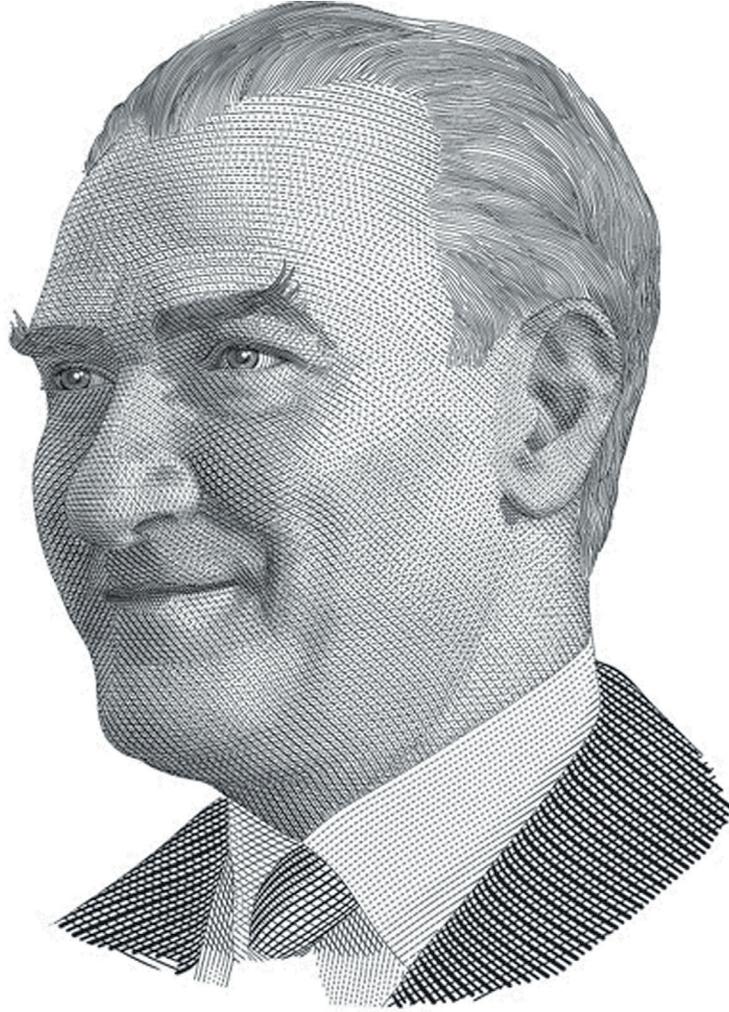
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Portrait, E-9 Emission Group
Depicted on the front of 20 TL and 50 TL denominations in Series 1

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Abbreviations

BIMER	The Communication Center of the Prime Ministry
BIS	Bank for International Settlements
BIST	Borsa İstanbul
BoE	Bank of England
BRSA	Banking Regulation and Supervision Agency
CBRT	Central Bank of the Republic of Turkey
CPI	Consumer Price Index
ECB	European Central Bank
EMEs	Emerging Market Economies
EU	European Union
FDD	Final Domestic Demand
Fed	Federal Reserve, The Central Bank of the United States
GDP	Gross Domestic Product
IBAN	International Bank Account Number
ICH	Interbank Clearing Houses Center
IILM	International Islamic Liquidity Management Corporation
İMB	Istanbul School of Central Banking
IMF	International Monetary Fund
MPC	Monetary Policy Committee
ROC	Reserve Option Coefficient
ROM	Reserve Option Mechanism
SDR	Special Drawing Rights
TBB	The Banks Association of Turkey
TL	Turkish Lira
Treasury	Undersecretariat of Treasury
TRT	Turkish Radio and Television Corporation
TURKSTAT	Turkish Statistical Institute
Türk Eximbank	The Export Credit Bank of Turkey
US	United States
USD	US Dollar

Foreword



Dr. Erdem Bařçı
Governor

The Turkish economy has witnessed many notable developments in recent years. Compared to 2002, the country's Gross Domestic Product (GDP) increased by 78 percent in real terms by the third quarter of 2015. Over the same period, significant progress was made in tackling inflation and inflation rates were brought down to single digits permanently, thanks to prudent monetary and fiscal policies. On the back of the sustained budget discipline in the public sector and prudent borrowing in the private sector, real interest rates decreased significantly and realized at around 2.5 percent on average in 2015. In the framework of the floating exchange rate regime implemented since 2001, the Central Bank of the Republic of Turkey (CBRT) used a set of tools and achieved a cumulative USD 97-billion increase in the CBRT foreign exchange and gold reserves by end-2015.

In order to contain the macro-financial risks posed by the global imbalances to the domestic economy, the CBRT designed and launched a new policy strategy by the end of 2010. While the priority of price stability is maintained in the new policy approach, financial stability is also safeguarded as a supporting objective. In this context, several complementary tools such as the interest rate corridor, TL and FX liquidity management, and the Reserve Options Mechanism (ROM) are utilized alongside conventional tools. The implemented policies aim at re-balancing macro-financial risks without compromising on price stability in the medium term. Along this direction, credit growth has been taken under control and exchange rates have moved more consistently with economic fundamentals.

In 2015, the CBRT introduced some additional measures taking into account the expectations for global economic developments. In particular, uncertainties over the Federal Reserve's (Fed) rate hike have fueled unfavorable expectations for emerging market economies (EMEs). The CBRT published a road map document on 18 August 2015 setting out the measures to be taken towards mitigating the impact of uncertainties in global monetary policies on the Turkish economy and enhancing the Turkish economy's resilience against global shocks. To sum up, the CBRT's policy stance in 2015 against the inflation outlook has been tight, stabilizing in foreign exchange liquidity, and supportive for financial stability.

The disinflation process requires a number of other measures in addition to the CBRT's monetary policy implementations. In particular, the course of food

inflation in recent years has been a significant risk factor for both the level and the volatility of headline inflation. In this respect, the establishment of the Food and Agricultural Product Markets Monitoring and Evaluation Committee with the contribution of the CBRT is regarded as a very important step in terms of allowing the Ministry of Economy, the Ministry of Customs and Trade, the Ministry of Development, the Ministry of Finance, the Prime Ministry Undersecretariat of Treasury, the CBRT and the Turkish Statistical Institute (TurkStat) to discuss food price developments on a common platform and to take necessary measures. It is envisaged that the measures taken under the coordination of this Committee will provide structural and cyclical contributions in reducing the food inflation.

Within the framework of the G20 Presidency of Turkey in 2015, the CBRT organized various high-level conferences and meetings. The CBRT also held a number of national and international meetings, seminars, panels, workshops and conferences on topics related to the global and Turkish economy throughout the year. All these events contributed to the exchange of views between the CBRT and international institutions, other central banks and academicians as well as to achieving international standards in the conduct of the CBRT's activities. In addition, the Bank provided support for scientific activities in Turkish academia. Meanwhile, in-house training programs aimed at developing the skills of Bank staff continued as well.

In accordance with the agreement reached with the Government during the preparation of the Medium-Term Program, the inflation target for the 2016-2018 period has been set at 5 percent. In the framework of the duty assigned by law, the CBRT continues to contribute to balanced and sustainable growth in the Turkish economy with a view to achieving the price stability objective while at the same time safeguarding financial stability. The CBRT's policy measures aim to ensure a stable course in inflation expectations and to sustain a balanced growth outlook. Maintaining the fiscal discipline and implementing the announced structural reforms will support macroeconomic stability and permanently boost Turkey's growth performance.

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-2015, 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.

By the end of 2015, the CBRT had 4,746 employees working in 16 Departments and 21 Branches in Turkey, as well as representatives of the Bank working in Turkish Representations in Frankfurt, London, New York, Beijing, Tokyo, and the Permanent Delegation to the OECD in Paris. With this organizational structure, CBRT implements its policies in a dynamic structure by closely monitoring the developments in both the domestic and international arenas and executing its functions in line with powers and duties granted by its Law.

1.1. Governing Bodies

1.1.1. Board



Dr. Erdem Başçı
Governor



Mehmet Vehbi Çıtak
Member



Dr. Lokman Gündüz
Member



Prof. Dr. Necdet Şensoy
Member



Prof. Dr. Sabri Orman
Member



Dr. Ahmet Faruk Aysan
Member



Prof. Dr. Nurullah Genç
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 monetary policy strategy and 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 2015, the Board held 15 meetings and made a total of 152 decisions.

At the General Assembly of Shareholders Meeting of the CBRT held on 9 April 2015, Necdet Şensoy, whose term of office was to expire at the end of 30 April 2015, was re-elected and Nurullah Genç was elected as members of the Board for a term of 3 years from 1 May 2015 to the end of 30 April 2018.

As of 31 December 2015, the Board consists of Governor Erdem Başçı and the members: Mehmet Vehbi Çıtak, Lokman Gündüz, Necdet Şensoy, Sabri Orman, Ahmet Faruk Aysan and Nurullah Genç.

1.1.2. Monetary Policy Committee



Dr. Erdem Başçı
Governor



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 the 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 2015.

As of 31 December 2015, the MPC consists of Governor Erdem Başçı and the members: Board member Ahmet Faruk Aysan, Deputy Governors Mehmet Yörükoğlu, Turalay Kenç, Necati Şahin, Murat Çetinkaya, and Abdullah Yavaş who was appointed by a joint decision.

1.1.3. Auditing Committee



Ahmet Fethi Toptaş
Member



Mehmet Ziya Gökalp
Member



Dr. Mehmet Babacan
Member



Ömer Duman
Member

The Auditing Committee is composed of four members elected by The General Assembly. 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 General Assembly of Shareholders Meeting of the CBRT held on 9 April 2015, Ahmet Fethi Toptaş, whose term of office was to expire at the end of 30 April 2015, was re-elected; Mehmet Babacan and Ömer Duman were elected as the members of the Auditing Committee for a term of office from 1 May 2015 until the end of 30 April 2017.

As of 31 December 2015, the Auditing Committee consists of: Ahmet Fethi Toptaş, Mehmet Ziya Gökçalp, Mehmet Babacan and Ömer Duman.

1.1.4. Executive Committee



Dr. Erdem Başçı
Governor



Dr. Mehmet Yörükoğlu
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 made 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 2015, the Executive Committee consists of Governor Erdem Başçı and Deputy Governors Mehmet Yörükoğlu, 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 2015, the gross amount paid to the Governor, members of the Board, Executive Committee, MPC and Auditing Committee of the Bank was 5,401,550 Turkish Liras. This amount accounts for approximately 1 percent of the total salaries and fringe benefits paid to the bank staff in 2015.

1.1.6. Head Office Departments

By 31 December 2015;

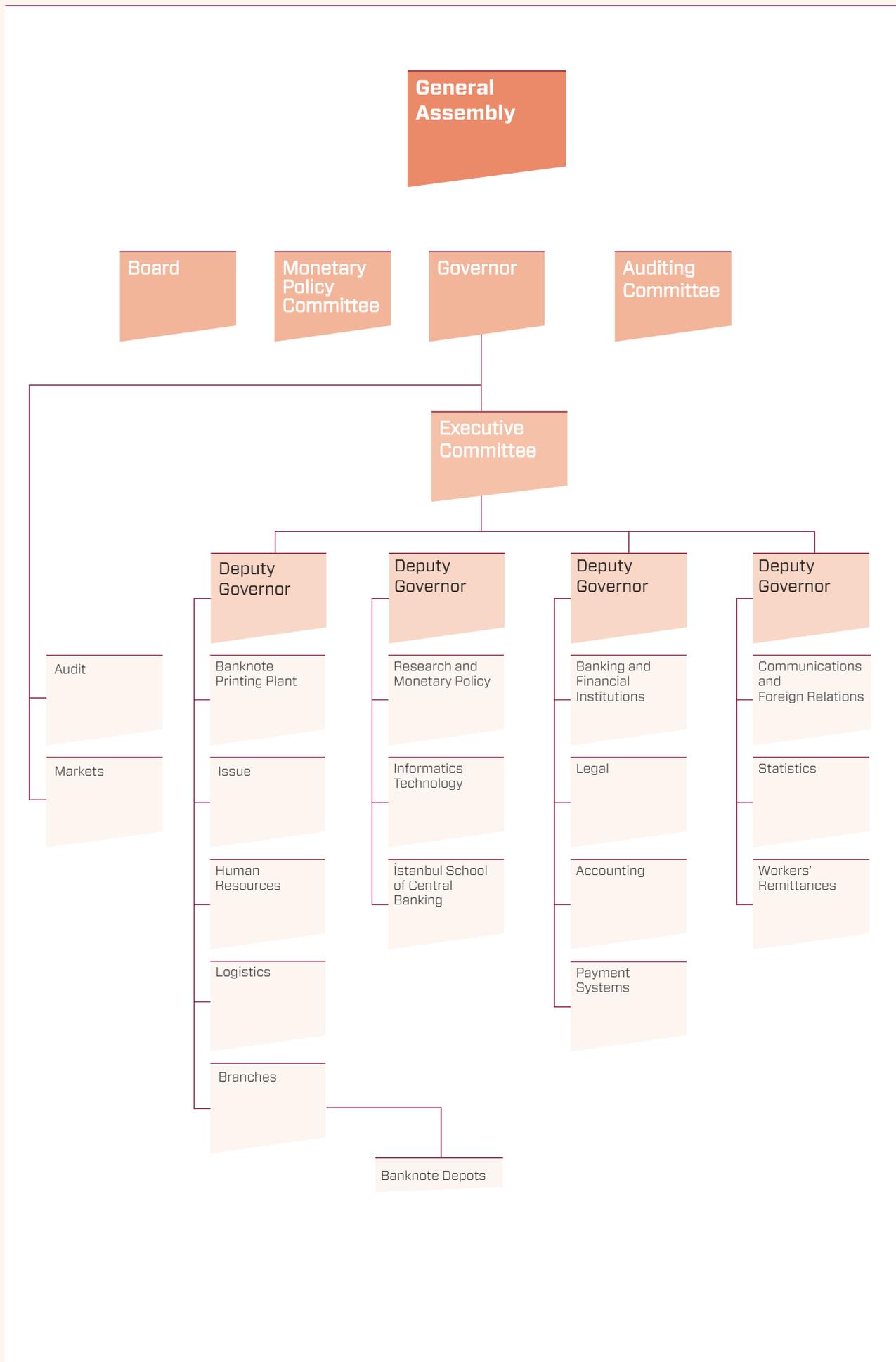
Accounting	Executive Director	İrfan Yanar
Audit	Executive Director	Mehmet Düzgün
Banking and Financial Institutions	Executive Director	Ahmet Biçer
Banknote Printing Plant	Executive Director	Cem Eyerci
Communications and Foreign Relations	Executive Director	Dr. Yusuf Soner Başkaya
Human Resources	Executive Director	Nevzat Gülen
Informatics Technology	Executive Director	Enis Adıgüzel
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
Logistics	Executive Director	Emin Keskin
Markets	Executive Director	Erkan Kilimci
Payment Systems	Executive Director	Ömer Öztürk
Research and Monetary Policy	Acting Executive Director	Dr. Mustafa Kılınç
Statistics	Executive Director	Gülbin Şahinbeyoğlu
Workers' Remittances	Executive Director	Dr. Ali Çufadar

1.1.7. Branches

By 31 December 2015;

Adana	Director	İskender Büyüктаş
Ankara	Director	Dr. Yusuf Bora Enhoş
Antalya	Director	Kemal Ketenci
Bursa	Director	Ahmet İnci
Denizli	Director	Nilüfer Aydemir
Diyarbakır	Director	Ertuğrul Gündoğdu
Edirne	Director	İsmail Fehmi Ergüder
Erzurum	Director	Cemal Şahiner
Eskişehir	Director	Tevfik Hayati Boyalı
Gaziantep	Director	Halil Dilsiz
İskenderun	Director	Süleyman Miçoğulları
İstanbul	Director	Haluk Ersoy
İzmir	Director	Mehmet Reşit Ketene
İzmit	Director	Halil Yeşilbursa
Kayseri	Director	Osman Kandira
Konya	Director	Nezihe Filiz Baysal
Malatya	Director	Mehmet Sarı
Mersin	Director	Serpil Erkan
Samsun	Director	Mehmet Ünal Kekevi
Trabzon	Director	Ramazan Karaman
Van	Director	-

1.1.8. Organization Chart



1.2. CBRT 2014-2018 Strategic Plan

Our Vision

To be one of the world's leading central banks, with its 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; steer the development of payment and securities settlement systems, supervise them and also establish and operate systems when necessary; increase the effectiveness of the CBRT on a regional and global scale by strengthening international relations; add value to its employees, stakeholders and the community as called for by its corporate governance structure and the 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 Goals

The strategic goals (SG) of the CBRT are defined under three areas: public, global and corporate.

Public Area

- SG-1. Achieve price stability.
SG-2. Contribute to financial stability.

Global Area

- SG-1. Play an influential role in the international scene.
SG-2. Increase prestige in the international arena through research and capacity building activities.

Corporate Area

- SG-1. Execute the primary tasks on the basis of the efficiency and effectiveness principles and ensure corporate development.
SG-2. Strengthen corporate identity and internal communication.

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-2015, the total number of CBRT staff posts was 5,065. The total number of staff employed 4,746 and the occupancy rate was 93.70 percent.

A total of 110 staff members ceased employment due to retirement, resignation, military service or death, while 99 employees have been recruited. Additionally, 4 staff members have returned. Consequently, the actual number of staff members by the end of the year decreased by 7 to 4,746 compared to 2014 (Graph 1).

The distribution of the CBRT staff is as follows: 77.31 percent comprised general administrative services, 11.42 percent technical services, 0.44 percent medical services, 0.25 percent legal services, and 10.58 percent by auxiliary services. Additionally, 15.70 percent of the staff employed is contract personnel.

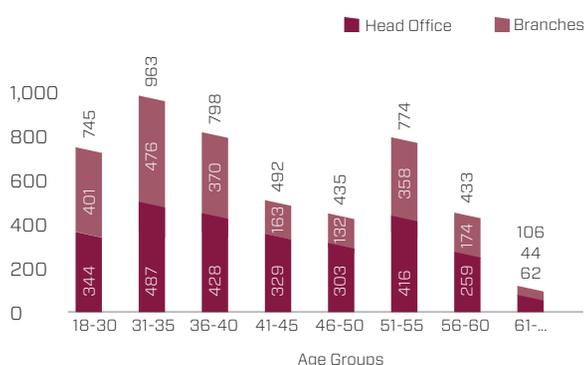
Approximately 55.37 percent of the CBRT staff work at the head office, while 44.63 percent work at the branches. Based on age distribution of the staff, 37.10 percent of the personnel fall in the range of 31-40 years (Graph 2). Moreover, 73.49 percent of the Bank's employees have associate, bachelors, masters and doctorate degrees. (Graph 3).

Graph 1. Number of Employees Between 2006-2015



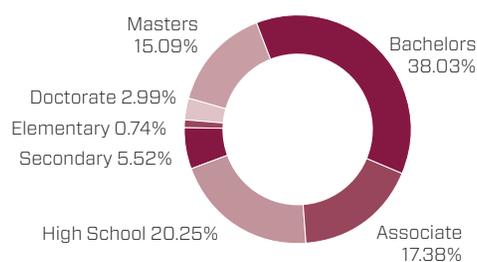
Source: CBRT.

Graph 2. Age Distribution of Employees (Number of CBRT Employees)



Source: CBRT.

Graph 3. Educational Distribution of Employees



Source: CBRT.

Part 2

Activities and Major Developments

2.1. Price Stability, Financial Stability and Monetary Policy

2.1.1. Overview

Despite some recovery in advanced economies over 2015, global economic activity continued to weaken amid slowing emerging economies. In this period, financial markets remained volatile mainly due to uncertainties surrounding global monetary policies and growth concerns. In advanced economies, financial asset prices were largely affected by these fluctuations. Risk premiums for emerging markets deteriorated throughout the year, causing portfolio inflows to decline and local currencies to depreciate. Coupled with local developments and geopolitical tensions, this overall global outlook had a serious impact on the Turkish economy. Thus, the CBRT adopted policies to contain the spillover effects of the global volatility and to improve the deterioration in the inflation outlook by actively using the one-week repo rate, the interest rate corridor, TL and foreign-currency liquidity policies and required reserves.

Amid volatilities in the global financial markets weighing on emerging economies, risk premium indicators and long-term rates in Turkey increased and the TL depreciated. Particularly due to the TL depreciation, annual core goods inflation rose sharply in 2015. The growth rate of bank loans to the private sector slowed down to more reasonable levels, while economic activity continued to grow moderately owing largely to domestic demand. Taking into account inflation expectations, the pricing behavior and developments in other factors affecting inflation, the CBRT maintained a tight monetary policy stance through 2015.

The average funding rate was increased gradually over 2015 in line with the tight liquidity policy that aimed to contain the negative effects of the cumulative TL depreciation on inflation and inflation expectations. Moreover, overnight repo rates were formed at the upper band of the interest rate corridor. The yield curve remained almost flat in 2015. Meanwhile, FX non-core liabilities were readjusted in the first half of the year to support financial stability. In addition, to reduce the banking sector's costs, interests on TL lira required reserves were gradually increased over the year. This tight monetary policy stance and the macroprudential measures helped to contain the deterioration in medium-term inflation expectations and brought annual loan growth rates to reasonable levels.

The CBRT adopted several additional measures in 2015 in view of expectations over global economic developments. The uncertainty about the Fed rate hike had a particularly negative impact on emerging economies. In the road map announced in August, the Bank introduced a series of measures to help contain the spillovers from uncertainties surrounding global monetary policies onto the Turkish economy and to enhance the resilience of the economy against volatilities in global financial markets. In sum, the CBRT maintained a monetary policy stance that was tight against the inflation outlook, stabilizing for the FX liquidity, and supportive of financial stability in 2015.

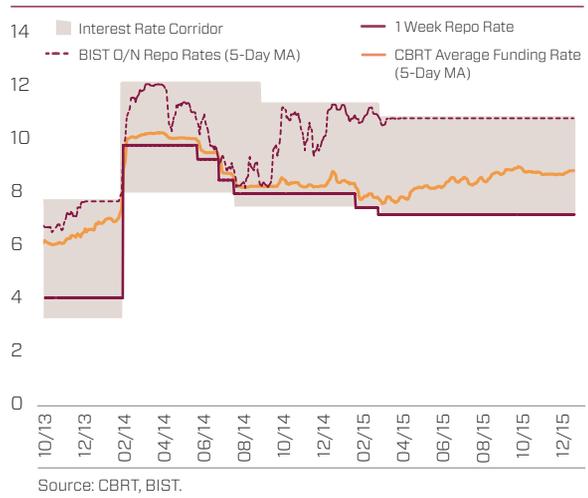
2.1.2. Developments in 2015

Monetary Policy Developments

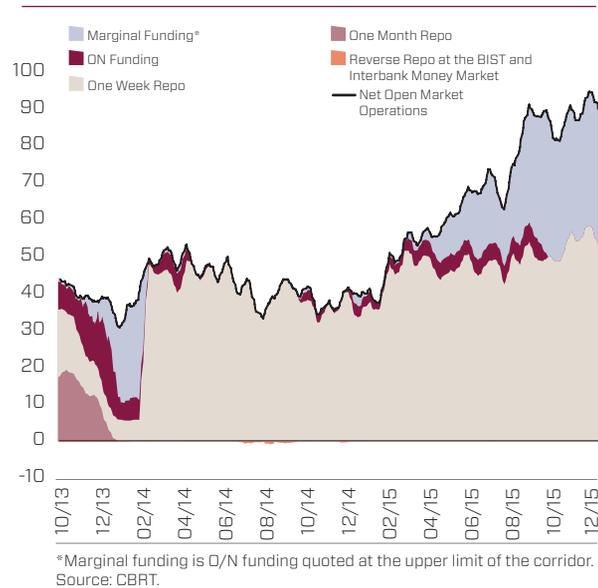
In view of the improving core inflation outlook, the CBRT implemented measured rate cuts in the first quarter of 2015. Yet, the Bank maintained the prudent monetary stance by tightening the liquidity policy simultaneously. In this context, the one-week repo auction rate was lowered from 8.25 to 7.75 percent in January and to 7.5 percent in February. Moreover, the overnight borrowing-lending corridor was shifted downward by about 50 basis points in February. The monetary stance remained tight the remainder of the year to avoid spillovers from the cumulative exchange rate effects to inflation. Accordingly, the borrowing-lending corridor was kept unchanged while the average funding rate was gradually hiked (Graph 4).

Meanwhile, the CBRT continued to provide funding mainly through one-week repo auctions, while the share of marginal funding was gradually increased over 2015 (Graph 5). The yield curve remained almost flat throughout 2015 (Graph 6).

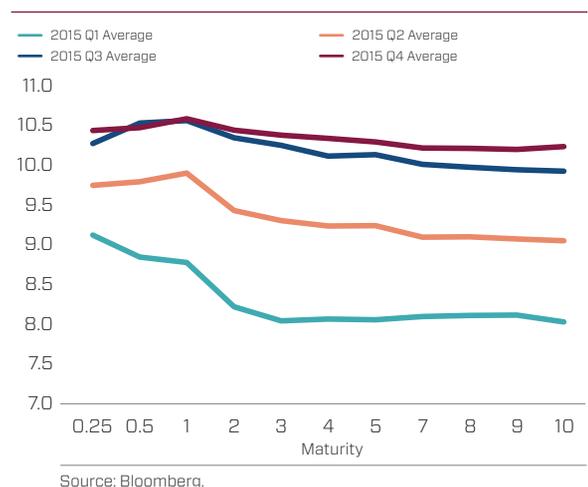
Graph 4. CBRT Rates and BIST Interbank O/N Rates (Percent)



Graph 5. CBRT Funding (2-Week Moving Average, Billion TL)

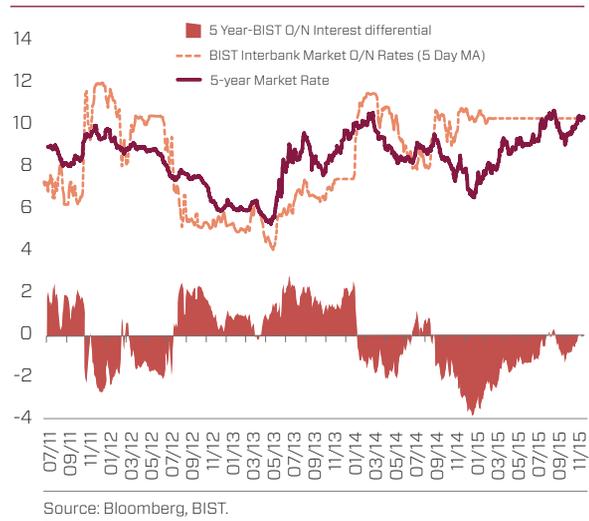


Graph 6. Yield Curve (Percent)

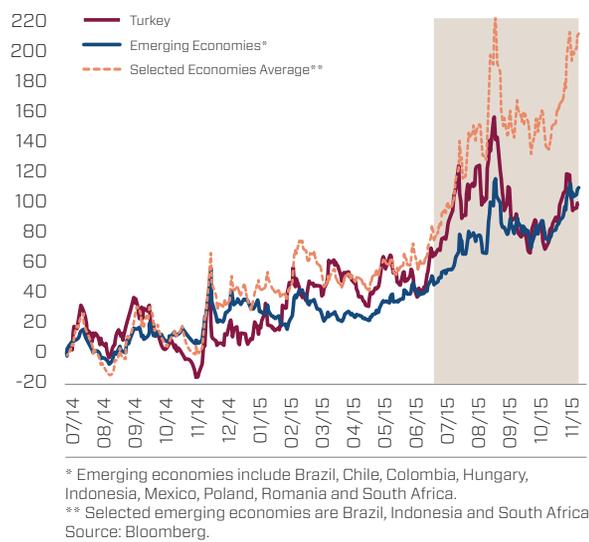


Despite rising long-term rates across the year, the 5-year market rates mostly remained below the Borsa İstanbul (BIST) interbank market overnight repo rates (Graph 7). On the other hand, heightened expectations of an end-2015 Fed rate hike amid normalizing global monetary policies caused the global risk appetite to remain low. Similar to other emerging economies, Turkey's risk premium increased dramatically over 2015 (Graph 8). Hence, emerging economies faced portfolio outflows, while portfolio flows to Turkey diverged negatively from the average of previous years (Graph 9).

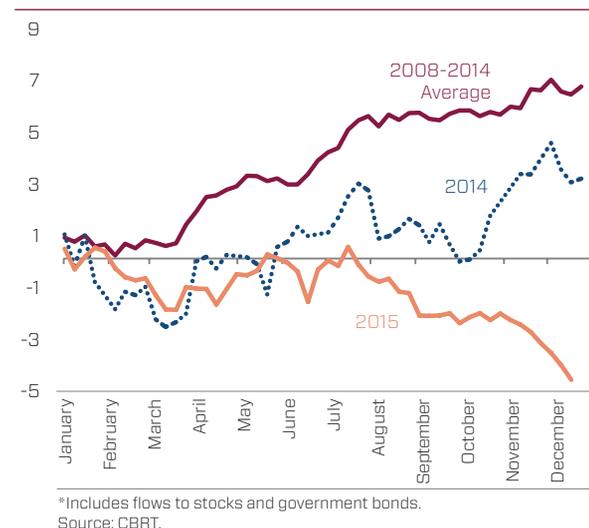
Graph 7. Money Market Interest Rates (Percent)



Graph 8. Changes in Credit Default Swaps (CDS) (Changes since 24 July 2014, Basis Points)

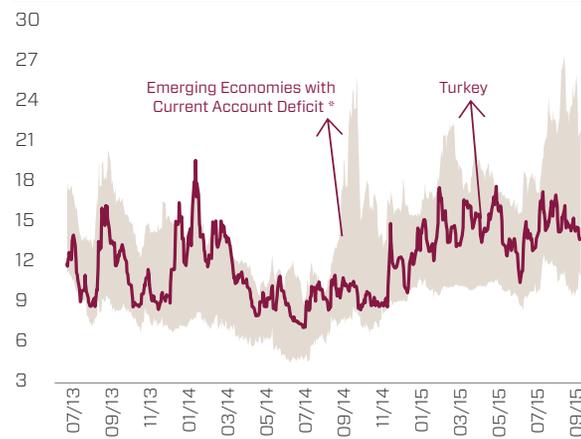


Graph 9. Portfolio Flows to Turkey* (Billion USD)



In the first half of 2015, the CBRT took several measures regarding foreign exchange liquidity due to the heightened exchange rate volatility (Graph 10). Starting from 27 February 2015, the amount of foreign exchange selling auctions has been set more flexibly. Additionally, on 10 March 2015, in order to meet the temporary foreign exchange liquidity needs of the banking sector and to reduce the TL-denominated intermediation costs, some technical adjustments were made to different tranches of the reserve option coefficients (ROC). Again, to this end, the remuneration rate for the required reserves maintained in TL was raised by 50 basis points at the MPC meeting in April, effective as of 8 May 2015. The Bank announced in the press release of 29 August 2015 that it would continue with such measures. Accordingly, these remuneration rates for required reserves were hiked by 50 basis points each in September, October and December. Furthermore, in order to lessen macrofinancial risks and to support prudential borrowing, the required reserve ratios applied to non-core FX short-term liabilities of banks and financing companies were raised to encourage banks to extend the maturity of their external borrowing. In addition, in view of the global interest rate developments, the rates applied to banks' 1-week FX borrowings from the CBRT were reduced on 10 March and 24 April 2015, and again on 9 June and 27 July 2015.

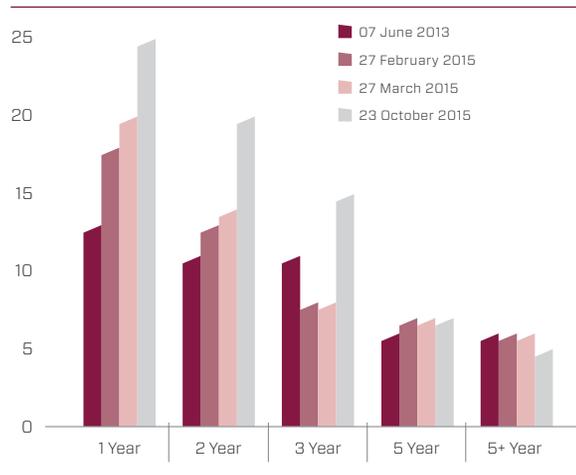
Graph 10. Implied Volatility of Exchange Rates (1-Month Ahead, Percent)



* Emerging economies with current account deficit include Brazil, Chile, Colombia, Czech Republic, Hungary, Indonesia, Mexico, Poland, Romania, South Africa, India and Turkey.
Source: Bloomberg.

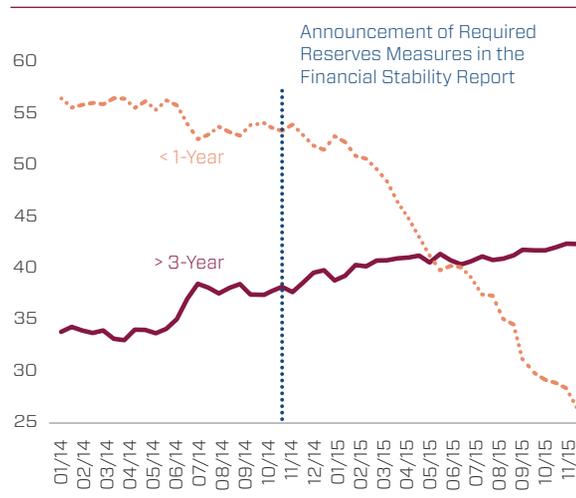
The expected normalization in the monetary policies of advanced economies in 2015 after a long time stood out as remarkable factor that weighed uncertainties in emerging economies. The CBRT published a road map on August 18 2015 regarding the policy measures to be enforced to avert the consequences of vague global monetary policies on financial markets. In this context, information was given on the interest rate policies and the amendments to be implemented in TL and FX liquidity policies and financial stability as well as the timing of these amendments. Accordingly, the CBRT announced that interest rate and TL liquidity policies would be simplified and the borrowing facility interest rate introduced to primary dealers would be terminated and the conditions for collaterals would be simplified. Additionally, the CBRT announced that following the normalization of global monetary policies, the interest rate corridor would be narrowed and be made more symmetrical around the one-week repo rate. Moreover, before and during the normalization of global monetary policies, the CBRT stated that alongside the measures to facilitate flexibility in the FX liquidity policies, additional steps would be taken to encourage core liabilities and long-term borrowing to enhance financial stability. Accordingly, the CBRT, with the announcement released on 29 August 2015, changed the reserve requirement ratios for new FX non-core liabilities of financial institutions to be formed after 28 August 2015 in a way to encourage the extension of maturities longer than three years (Graph 11). This change supports the extension trend in maturities of non-core liabilities (Graph 12).

Graph 11. FX Required Reserve Ratios (Percent)



Source: CBRT.

Graph 12. Non-Deposit FX Liabilities by Maturity (Percent)

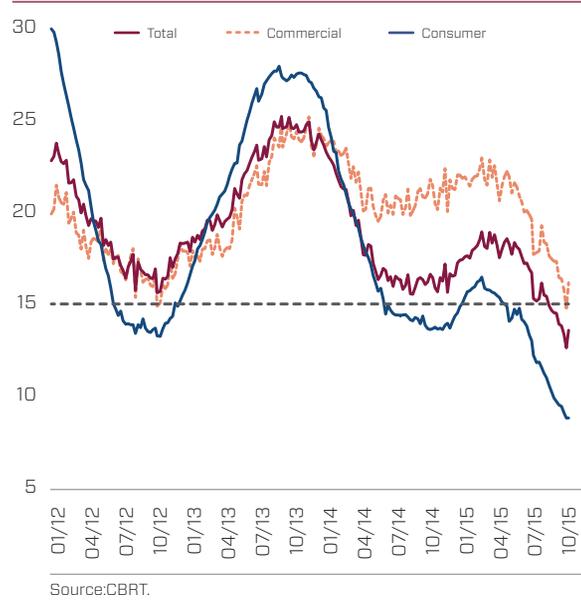


Source: CBRT.

Following the released road map, the borrowing facility interest rate through repo transactions offered to primary dealers was terminated on 23 September 2015. The Primary Dealership system was enforced through the support by an advantage in bid limits for one-week TL quantity auctions without changing the funding cost of primary dealers from the CBRT. Moreover, collateral conditions for TL transactions were simplified and the liquidity management of banks was made more effective starting from 28 September 2015. The CBRT confirmed that FX deposits can be used as collateral against TL transactions, and that this facility could be used as FX deposits with 1-month maturity. Further, interest rates to be paid to FX deposits would be announced and bank-based upper limits for the FX deposit amount as collaterals would be introduced.

Owing to the CBRT's tight monetary policy accompanied by the macroprudential measures implemented by the Banking Regulation and Supervision Agency (BRSA) regarding non-housing retail loans, the annual growth rate of loans extended to the non-financial sector remained weak in 2015 compared to previous years (Graph 13). Particularly, the BRSA'S practices coupled with the languishing consumer confidence almost the entire year led consumer loans to decline considerably. Against this background, the annual growth rate of total loans stood at reasonable levels.

Graph 13. Credit Growth Rates
(Annual Percentage Change)

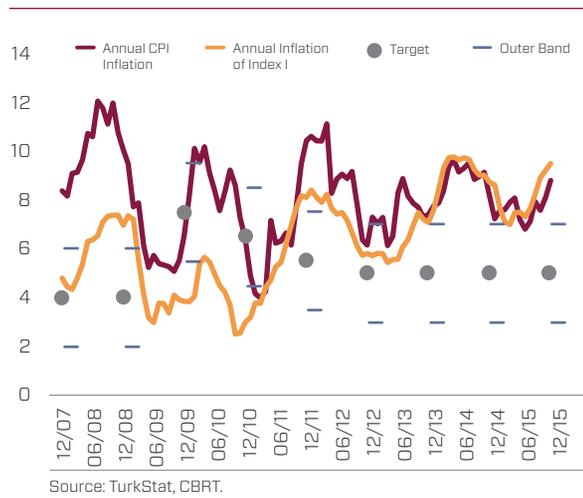


Inflation Developments

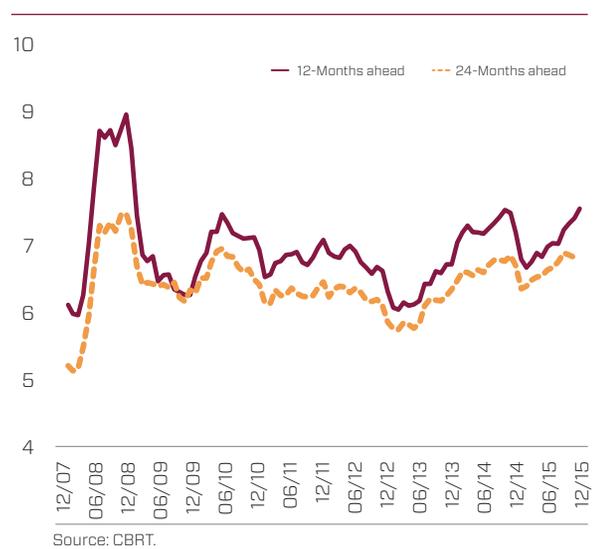
In 2015, annual inflation rose by 0.64 points compared to the previous year and stood at 8.81 percent by the year-end (Graph 14). The main reasons for the breach of the uncertainty band around the inflation target were the sizeable depreciation of the TL and the course of food prices. Meanwhile, the fall in import prices, particularly in oil, limited the rise in inflation throughout the year. Core goods prices surged due to the exchange rate movements. Services inflation also rose compared to the previous year due to cost increases fueled by the exchange rate and food prices. Accordingly, in an environment of a considerably mild course in energy prices, annual increase in main inflation indicators remained higher than headline inflation (Graph 14). In tandem with the rise in the trend of main inflation indicators, medium term inflation expectations also deteriorated throughout the year (Graph 15).

Considering the food price developments in recent years, it is evident that other measures, as well as monetary policy, are needed to curb inflation. Accordingly, the “Committee for Monitoring and Assessment of Food and Agricultural Products Markets”, at which the CBRT is represented by top management, progressed its studies in 2015. The Committee contributed significantly to the discussion of the developments in food prices at a common platform and served as an advisory body to recommend measures to be taken if required. Thus, in the course of the year, the Committee took some measures regarding some goods products, especially red meat.

Graph 14. Inflation and Targets (Percent)



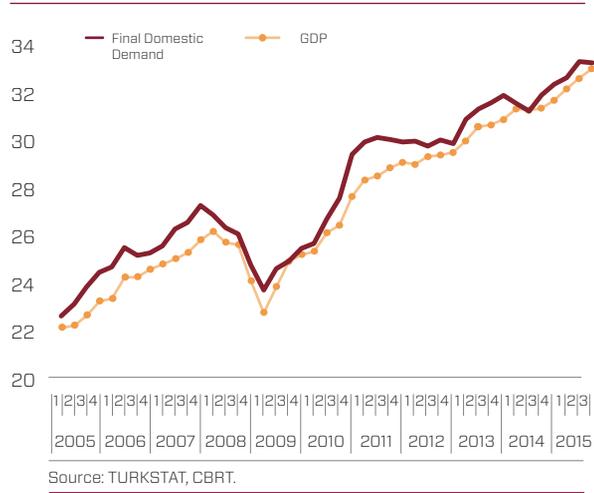
Graph 15. Inflation Expectations (Percent)



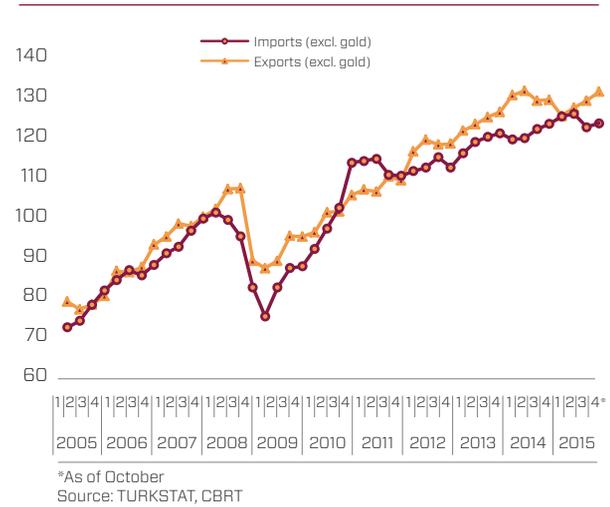
National Income Developments, the Balancing Process and the Labor Market

The growth rate in 2014 was down to 2.9 percent from 4.2 percent in 2013 owing to the tightening in financial conditions and macro prudential measures taken at the first quarter of the year. The consequent slowdown in final domestic demand (FDD) appeared mostly through the weak private consumption. Accordingly, the main contributor to the growth in 2014 was net exports thanks to developments in gold trade and a slowdown in imports as a result of weak domestic demand. Current data released by TurkStat shows that despite intensifying domestic and geopolitical uncertainties, growth accelerated in 2015 (Graph 16). The robust increase in private demand, mostly private consumption, plays the main role in this development. On the other hand, the balancing process on goods trade excluding gold is observed (Graph 17).

Graph 16. Gross Domestic Product and Final Domestic Demand (Seasonally adjusted, Real, Billion TL)



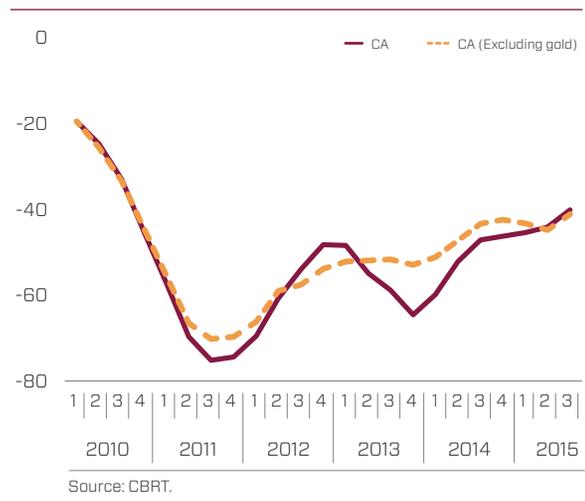
Graph 17. Export and Import Quantity Indices (Seasonally adjusted, 2010=100)



The improvement in the current account balance observed since 2014 continued gradually in 2015. The weak outlook of the global economy and adverse geopolitical developments that curtailed exports and moderate domestic demand that boosted imports stood out as the main developments which slowed down the improvement process in the first half of the year (Graph 18). However, in the second half of the year, the strengthening recovery in demand by European Union (EU) countries supporting export growth on the one hand, and imports assuming a downward trend on the other, contributed to the rebalancing process. As a result, the contraction in the current account deficit became more evident. In this process, the decline in energy prices, the favorable terms of trade developments and the moderate course of consumer loans were important factors providing support to the recovery. Moreover, the real exchange rate that appreciated gradually since the beginning of 2014, displayed a depreciation trend in the first nine months of 2015 due to the increase in the nominal exchange rates (Graph 19).

Despite the appreciation trend in the last quarter, the overall depreciation of the real exchange rate was 2.4 percent on average in 2015 and hovered around historically low levels.

Graph 18. Current Account Balance
(12 Month Cumulative, Billion USD)

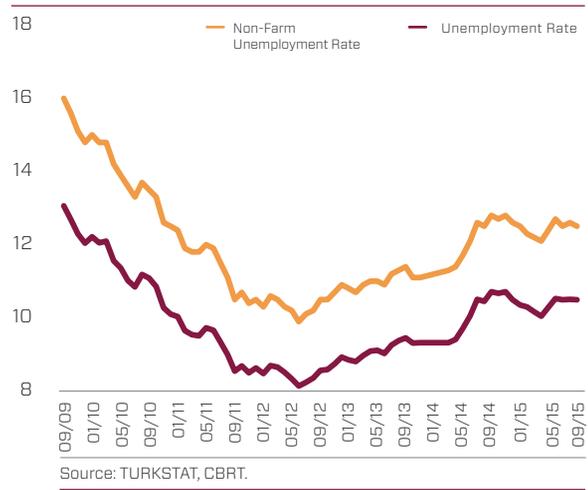


Graph 19. Real Effective Exchange Rate Index
(CPI Based, 2003=100)

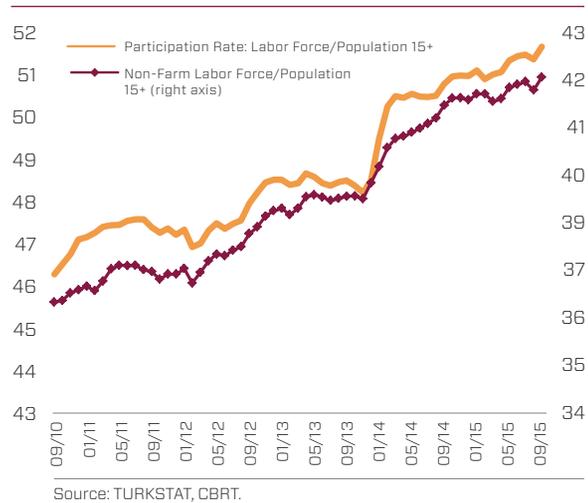


Unemployment rates trended upwards in the first nine months of 2015 compared to the same period of the previous year (Graph 20). The rise in the labor force caused unemployment rates to soar in this period (Graph 21). The rate of growth of non-farm employment declined relative to the previous year. The sectoral analysis of non-farm employment indicates that the services sector continued to be the main driver of employment growth in the first nine months, while the rate of increase in industrial and construction employment is limited compared to 2014.

Graph 20. Unemployment Rates
(Percent, Seasonally Adjusted)



Graph 21. Ratio of Non-Farm Employment and Non-Farm Labor Force to 15+ Population
(Seasonally Adjusted)



2.2. Operational Framework of the Monetary Policy

2.2.1. Turkish Lira Liquidity Management

After May 2013, global monetary policy developments were the key drivers behind the movements in financial markets. In this period, nearly all financial assets were re-priced on a global level while emerging economies witnessed portfolio outflows. The CBRT adopted policies to contain the spillover effects of the global economic volatility and to improve the deterioration in the inflation outlook by actively using the one-week repo rate, interest rate corridor, TRY and foreign-currency liquidity policies and required reserves.

In the post-crisis period, the unconventional policies of advanced economies and the uncertainties over these policies caused emerging market rates to become extremely sensitive to global monetary policy developments and advanced country data releases. The wide interest rate corridor and the tight liquidity policy implemented by the CBRT increased the resilience of the Turkish economy against global shocks and supported price stability and financial stability during this period.

After May 2013, the marked depreciation of the TRY had adverse effects on inflation and inflation expectations. In order to contain the deterioration in inflation expectations and pricing behavior, the CBRT has adopted a tight monetary policy stance since early 2014. Thanks to the tight liquidity policy implemented through most of 2015, the average funding rate was increased gradually and interbank overnight repo rates materialized at the upper bound of the interest rate corridor.

In the MPC decision of January, the favorable impact of the tight monetary policy stance and macroprudential measures on inflation, especially inflation excluding energy and food inflation indicators, and inflation expectations and the contribution of declining commodity prices, in particular oil prices, to disinflation were mentioned. In light of these positive developments, the MPC decided on a measured cut in the one week repo rate which was reduced from 8.25 percent to 7.75 percent.

In the MPC decision of February, the favorable impact of the ongoing cautious monetary policy along with prudent fiscal and macroprudential policies on inflation, especially inflation excluding energy and food inflation indicators, and inflation expectations, were mentioned. The MPC anticipated that the core inflation would continue to decline. Yet, it was assessed that a more persistent reduction in inflation necessitated a cautious approach in monetary policy. Taking into account the elevated volatility in food and energy prices, the MPC decided to cut the interest rates on a measured scale. To this end, marginal funding rate was reduced from 11.25 percent to 10.75 percent, the interest rate on borrowing facilities provided for primary dealers via repo transactions was reduced from 10.75 percent to 10.25 percent, and the borrowing rate was reduced from 7.5 percent to 7.25 percent and the late liquidity window (between 4:00 p.m. – 5:00 p.m.) CBRT lending rate was reduced from 12.75 percent to 12.25 percent. Moreover, the one-week repo rate was reduced from 7.75 percent to 7.50 percent.

With a view to limiting the effects of cumulative exchange rate movements recorded since early 2015 and volatilities in energy and food prices both on inflation and inflation expectations, the MPC maintained the tight monetary policy stance through 2015. The liquidity need has been mainly funded through one-week quantity repo auctions, while the share of marginal funding has been gradually increased since March.

In the MPC meeting of August, the MPC also discussed the roadmap to be implemented before and after global monetary policy normalization and decided to publish a strategy document with the MPC policy statement. The CBRT released a road map on 18 August 2015 regarding the policies to be implemented before and during the normalization of global monetary policies. Accordingly, the Bank announced that the width of the corridor will be narrowed and the interest rate corridor will be made more symmetric around the one-week repo interest rate. Moreover, this announcement also incorporated policies regarding Turkish lira liquidity, foreign exchange liquidity and financial stability to be implemented before and during the normalization. With respect to the Turkish lira liquidity, the quotation on the interest rate on borrowing facilities provided for primary dealers via repo transactions was terminated and collateral conditions for TRY transactions were simplified following the announcement of the road map. In addition, it was reminded that foreign exchange deposits can be used as collaterals against TRY transactions, and new simplified rules were announced regarding the use of this facility.

In the last MPC meeting of 2015, it was evaluated that, should the decline in volatility observed after the start of the global policy normalization persist, monetary policy simplification steps would begin with the next meeting in 2016.

2.2.2. Exchange Rate Policy

The CBRT continued to implement the floating exchange rate regime in 2015. 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 financial stability, the CBRT does not remain unresponsive to excessive appreciation or depreciation of Turkish lira.

Starting from 1 February 2015, an annual commission rate of 0.2 percent per annum was applied on balances denominated in Euro in required reserves and notice accounts held with the CBRT. The commission rate charged on these account balances held by banks and finance companies may be reviewed when deemed necessary by taking global and local financial market conditions into account. Starting from 1 July 2015, the annual commission rate applied on balances denominated in Euro in required reserves and notice accounts held with the Central Bank was reduced to 5 basis points due to the recent developments in the Eurozone and was set as 0 starting from 27 July 2015.

Starting from 27 February the amount of foreign exchange selling auctions was set on a daily basis depending on the conditions in the foreign exchange market. On days when deemed necessary due to excessive volatility, the FX selling auction amount may be increased up to 50 percent above the pre-announced minimum amount. On 10 April 2015 the CBRT determined that on days when deemed necessary due to excessive volatility, the FX selling auction amount may be increased by up to USD 30 million above the pre-announced minimum amount and on 19 August 2015 decided that on days when deemed necessary due to excessive volatility, the FX selling auction amount may be increased by up to USD 70 million above the pre-announced minimum amount.

On the other hand, in line with global interest rate developments, the rates applied to banks' one week maturity borrowings from the Central Bank were reduced:

- starting from 10 March 2015, rates were reduced from 7.5 percent to 4.5 percent for USD and from 6.5 percent to 2.5 percent for EUR,
- starting from 24 April 2015 reduced to 4 percent for USD and to 2 percent for EUR,
- starting from 9 June 2015 due to recent global and local developments, the rates applied to banks' one week maturity borrowings from the Central Bank were reduced to 3.5 percent for USD and to 1.5 percent for EUR,

- starting from 27 July 2015 the USD deposit rates at one week maturity were reduced to 3 percent, the EUR deposit rate at one week maturity was reduced to 1.25 percent. Also, when deemed necessary, without any need for a press release, these rates for the USD and EUR may be adjusted in either direction at 9:30 a.m. on business days, and will be valid for the same business day.

Starting from 14 August 2015, the USD deposit rate at one week maturity was reduced from 3 percent to 2.75 percent and the EUR rate has not been changed. In order to support the foreign exchange liquidity, the transaction limits of the banks in the CBRT Foreign Exchange and Banknotes Markets have been increased by approximately 130 percent to USD 50 billion (as calculated by current EURUSD parity) from 1 September 2015.

Starting from 5 May 2015, US dollars denominated required reserves, reserve options and free reserves held at the CBRT were remunerated. The remuneration (interest) rate is set on a daily basis by taking global and local financial markets conditions into account. The overnight rate was announced as 0.12 percent per annum starting from 5 May 2015. The interest rate applied to US dollars denominated required reserves, reserve options and free reserves held at the CBRT:

- increased to 0.14 percent per annum, starting from 1 June 2015,
- to 0.15 percent per annum starting from 9 June 2015,
- to 0.21 percent per annum starting from 24 July,
- to 0.23 percent per annum starting from 14 August,
- to 0.24 percent per annum starting from 28 September and
- to 0.49 percent per annum starting from 17 December 2015.

On 28 September 2015, the USD bid rate for the forex deposits as collateral was set as 0.35 percent and the EUR bid rate for the forex deposits as collateral was set as 0.03. Total limits for forex deposits as collateral were set as 3 billion USD and 0.9 billion EUR. Starting from 17 December 2015 the USD bid rate for the forex deposits as collateral increased to 0.65 percent.

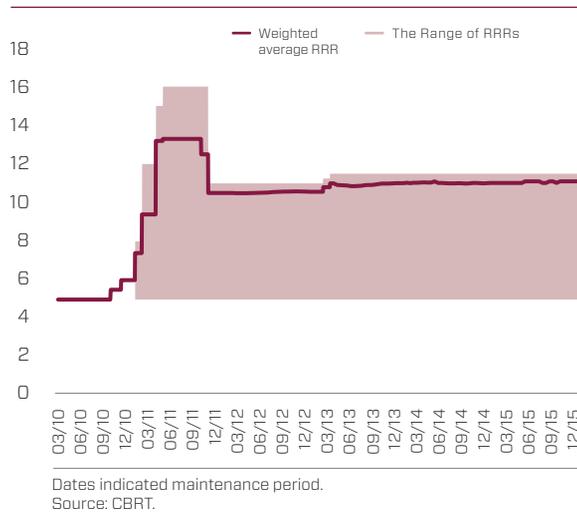
2.2.3. Reserve Requirements

The CBRT continues to use reserve requirements as a monetary policy and macroprudential policy instrument. As of year-end 2015, the weighted average reserve requirement ratios for TL and FX are 11.1 percent and 12.8 percent, respectively (Graphs 22 and 23).

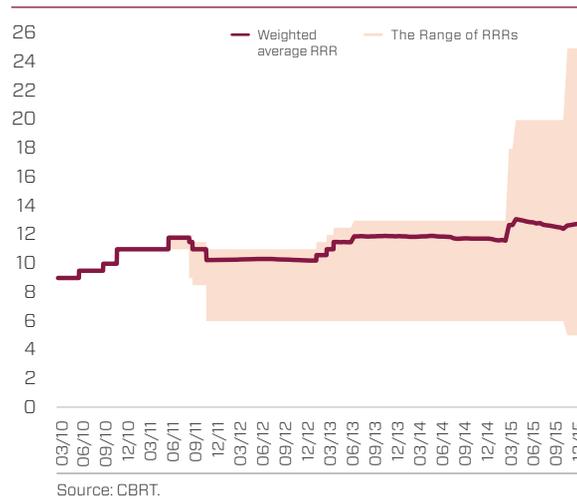
To limit macrofinancial risks and support financial stability, the CBRT started revising the reserve requirement ratios for foreign exchange (FX) denominated liabilities of banks and financing companies to encourage the extension of maturities of non-core liabilities in the first half of 2015. Beginning from 29 August 2015, required reserve ratios for non-core FX liabilities were revised to incentivize maturities of longer than three years for renewed and newly utilized liabilities.

On the other hand, ROM has been used actively in 2015. In this way, ROM contributes not only to total reserves but has limited potential impacts of capital flow volatility on the foreign exchange market as well. Besides, the automatic stabilizing feature of the ROM has constituted a buffer against possible changes in external finance conditions.

Graph 22. TL Reserve Requirement Ratios (Percent)



Graph 23. FX Reserve Requirement Ratios (Percent)

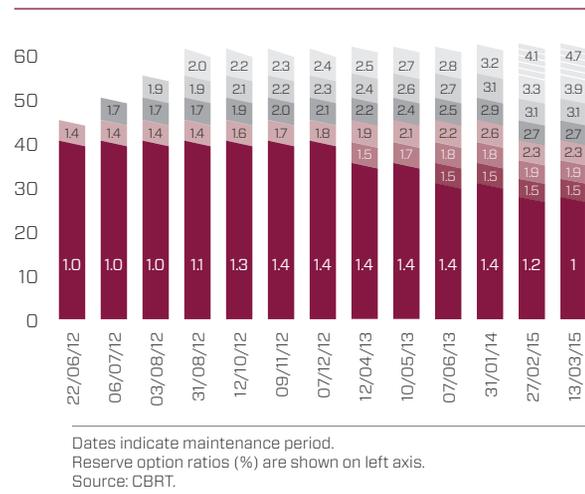


In order to strengthen the automatic stabilizing feature of the ROM and to provide the FX liquidity needed stemming from changes in reserve requirement ratios for FX denominated liabilities, technical adjustments have been made in reserve option tranches and coefficients. The top 5 percent tranche was substituted by 5 new tranches, each comprising 1 percent, to be implemented as of the calculation period of 13 February 2015. Moreover, in order to meet the foreign exchange liquidity needs of financial sector, the coefficient of the lowest tranche was lowered, while coefficients of the top 5 tranches of 1 percent were increased, starting from the calculation period of 27 February 2015. By the end of 2015, the coefficients corresponding to the last tranches of the FX and gold reserve options stood at 4.7 and 2.5, respectively (Graph 24 and Graph 25).

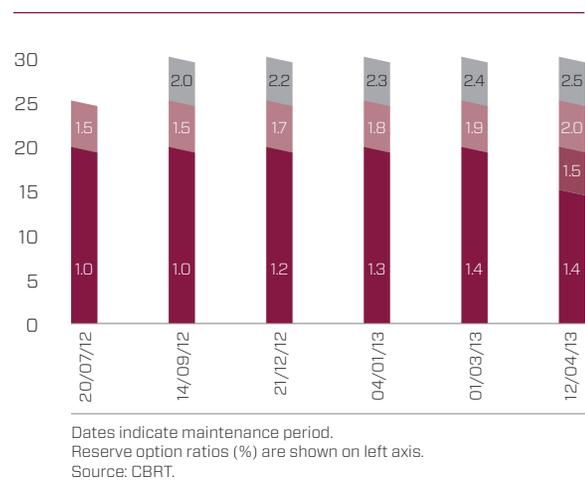
Banks and financing companies use the ROM facilities widely and consistently. As of the maintenance period of 18 December 2015, the utilization ratio of the FX facility was 91.2 percent, and that of the gold facility reached 89.8 percent across the sector. Banks can also maintain standard gold for precious metal deposit accounts, the utilization ratio of which is around 70.4 percent.

To spur balanced growth and domestic savings, the implementation of remunerating reserves maintained in TL, in a way to encourage core liabilities, financial institutions whose ratios of deposits and equity to loans are higher than the sector average have been remunerated at a higher rate unless they worsened their own situation in 2015. In line with the stated objectives, the remuneration of TL required reserves was raised by 50 basis points, as of the 8 May 2015 maintenance period. The CBRT decided that remuneration rates of the required reserves maintained in TL would be raised by 150 basis points in total, by three installments of 50 basis points each on 1 September 2015, on 1 October 2015 and on 1 December 2015 in order to reduce the intermediation costs of the banking sector and to provide additional support to core liabilities.

Graph 24. ROCs for Required Reserves Held as FX



Graph 25. ROCs for Required Reserves Held as Gold



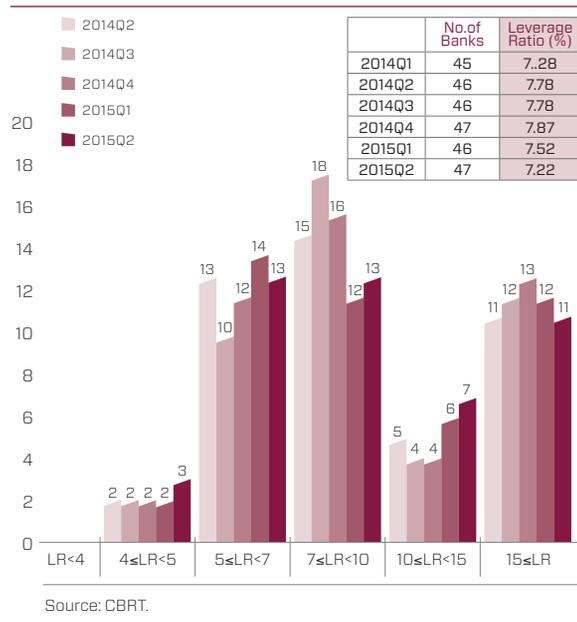
Under the changing global and local financial market conditions, USD required reserves, reserve options and free reserves held at the CBRT were remunerated starting from 5 May 2015 as well.

The coverage of liabilities subject to reserve requirements of foreign branches of banks incorporated in Turkey has been broadened for the liabilities that emerged after 29 May 2015; hence, foreign branches of banks have also been encouraged to borrow longer term.

To strengthen the automatic stabilizing feature of the ROM, instead of the exchange rate that pertains to the calculation date, arithmetic average of the foreign exchange buying rates of CBRT published in the Official Gazette on the days between the calculation date (including) and the third business day (including) prior to the start of the maintenance period are used to calculate the amount of FX that will be held under ROM for TL liabilities starting from the calculation period of 31 December 2015.

The leverage-based reserve requirement regulation that aims to boost the resilience of the banking sector to shocks by containing its indebtedness continued to be implemented with all of its aspects in 2015. The leverage ratio of the sector realized around 7.2 percent as of June 2015 (Graph 26). The data pertaining to the April-June 2015 term suggest that the leverage ratio of the banking sector followed a stable course that was well above the minimum ratio of 3 percent set by the Basel III regulation and 4 percent set by the CBRT for the first three quarters of 2015. Additionally, a bank-base analysis reveals that there was no bank whose ratio was below the regulatory minimum and required to hold additional reserve requirements at the beginning of the implementation.

Graph 26. Distribution of the Leverage Ratio



2.2.4. Export Rediscount Credits

In the scope of Article 45 of the Central Bank Law, rediscount credits are extended to exporters and foreign exchange earning firms in TL with a maturity up to 240 days through the Export Credit Bank of Turkey (Türk Eximbank) and commercial banks by the acceptance of foreign exchange bills for rediscount, whereas repayments to the CBRT are made in foreign exchange.

Taking into account the contribution of rediscount credits to the decrease in the current account deficit and the increase in the CBRT's foreign exchange reserves, the credit limit was increased by USD 2 billion to USD 17 billion on 23 January 2015.

Moreover, with the changes made in rediscount credits' regulations on 23 January 2015;

- In addition to exports, foreign exchange earning services (tourism services, health services, consultancy, software development and engineering services, transportation services and repair and maintenance services) were also made eligible to use rediscount credits.
- Türk Eximbank and domestic commercial banks were allowed to intermediate the extension of rediscount credits for financing foreign exchange earning services.
- Domestic commercial banks were allowed to intermediate pre-shipment export rediscount credits in addition to post-shipment export rediscount credits.
- In addition to post-shipment export receivables that were transferred to factoring firms, foreign exchange earning services and pre-shipment exports receivables were also made subject to the rediscount credit facility via Türk Eximbank and domestic commercial banks.

With the changes made on 5 June 2015:

- The entire credit limit per company - which is USD 300 million for foreign trade capital companies and USD 250 million for other companies - can be used for credits with a maturity up to 120 days and up to 60 percent of the limit could be used for credits with a maturity of 121-240 days.

- Bursa, Gaziantep, Denizli, Adana, Kayseri, Trabzon and Antalya branches were also approved to intermediate the extension of rediscount credits incrementally, starting with the Gaziantep branch.
- The commitment fulfillment period for the export of goods and services was set as 24 months and the additional 6-month period introduced to firms that fulfill 50 percent of their export commitment within the 12-month period was abolished.

Rediscount credit extensions, which were USD 15.3 billion in 2014, reached USD 14.5 billion as of 31 December 2015, with an outstanding balance of USD 7.9 billion.

In this context, rediscount credits contributed USD 15.2 billion to the Central Bank's net foreign exchange reserves in 2015.

2.2.5. The Maximum Interest Rates for Credit Cards

The monthly maximum contractual and overdue interest rates for credit card borrowing have been announcing by the CBRT quarterly. Accordingly, To be effective from 1 January 2015, the monthly maximum contractual interest rate is 2.02 percent for the Turkish lira and 1.62 percent for foreign exchange, whereas the monthly maximum overdue interest rate is 2.52 percent for the Turkish lira and 2.12 percent for foreign exchange. The monthly maximum interest rates that banks can charge on credit card borrowing for the remaining part of 2015 have been left unchanged.

2.3. Financial Stability Developments

Volatility in global financial markets has continued due to the downside risks on growth during 2015. In the second half of the year, investment outflows from emerging markets accelerated and risk premia of these countries also increased. The change in the risk indicators for the emerging economies was triggered by concerns about the Chinese economy, the downtrend in commodity prices and the uncertainties regarding the Fed monetary policy. Measures taken in emerging economies to boost resilience against external shocks have borne a particular importance.

Although domestic economic activity has lost some momentum due to the deceleration in external demand, domestic demand followed a moderate course and net external demand improved to some extent. The consumer price inflation rose slightly in the second half of the year due to increased food prices and exchange rate developments. The CBRT implemented a tight monetary policy to contain the impact of exchange rate movements as well as energy and food price volatilities seen since the start of the year in inflation and inflation expectations. The CBRT has also contributed to the resilience of the economy to shocks with its rebalancing stance in foreign exchange liquidity and supportive stance in financial stability.

The decline in commodity prices, the ongoing cautious monetary policy stance and the moderate growth of consumer loans achieved by macroprudential measures supported the improvement in the current account balance. While the rebalancing in the current account deficit continues, implementations supporting core liabilities and encouraging longer term external borrowing started yielding results.

The progressive improvement in the household leverage ratio (ratio of household liabilities to assets) continued in 2015. The regulations that ban households from borrowing in foreign currencies and over variable interest rates are believed to contribute to financial stability during this period of growing uncertainties, increased volatility in currencies and interest rates. The effect of exchange rate developments on indebtedness of non-financial corporates has been limited. Although there is net foreign exchange open positions, the fact that the short-term FX position is in surplus and foreign currency denominated loans are long term in maturity and mostly utilized by big-sized firms, which are relatively more successful in currency risk management, mitigated risks of non-financial corporates arising from currency developments.

The Turkish banking sector continued its sound functioning of intermediation activities in 2015. The loan growth, which had been pulled down to reasonable levels, lost some pace due further to the elevated uncertainties in external and domestic markets since the third quarter of the year. Asset quality of the banking sector remains stable. The non-performing loan ratio remains relatively unchanged and the ratio for firms' foreign currency denominated loans remains at low levels. Though capital adequacy ratio of the banks decreased to some extent, the banking sector's capital was sufficient to cover unexpected losses.

While there has been a limited decline in the external borrowing of the banks, this is considered to be caused largely by the preferences of the domestic banks. There has not been any increase in the costs of the banks' external funding in this period of volatile global risk appetite. The CBRT raised the remuneration rate for the required reserves maintained in TL for the purpose of supporting core liabilities and took additional measures to extend the maturity of the banks' non-core foreign currency liabilities in 2015. These measures contributed to the decline in short-term external debt and the improvement in the loan-to-deposit ratio of the banking sector together with the moderate loan growth. Furthermore, thanks to the foreign currency liquidity measures taken by the CBRT, the transaction limits of the banks in the CBRT Foreign Exchange and Banknotes Markets increased, thus the foreign currency borrowing facility allocated to banks by the CBRT and the foreign currency and gold reserves maintained at CBRT within the ROM ensured full coverage of the external debt service of the banking sector within one year.

The macro display chart presents the schematic reflection of the developments in financial stability in Turkey (Graph 27). Accordingly, global markets and domestic economy developments have been determinant on financial stability in the last six-month period. In this environment of volatile financial markets due to the uncertainties pertaining to global monetary policies and concerns on global growth, the steps taken and envisaged to be taken within the scope of the “Road Map During the Normalization of Global Monetary Policies” announced by the CBRT has increased the resilience of the economy against the global volatilities.

Graph 27. Financial Stability Map^{1,2}



(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 an 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 financial stability map, see Financial Stability Report (FSR) v.13, November 2011-Special Topic IV.10.

2.4. Financial Infrastructure

2.4.1. Developments in Payment Systems Regarding the Legal Framework

In accordance with the “Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions” No. 6493, dated 20 June 2013 and the “Regulation on Operations of Payment and Securities Settlement Systems” which has been prepared by CBRT and entered into force by publication in the Official Gazette No. 29044, dated 28 June 2014, the “Communique on Information Systems used by Payment and Securities Settlement Systems”, which covers principles and procedures regarding information systems to be used in order to carry out activities of payment and securities settlement systems, was approved by the CBRT’s Board (dated 17 December 2015) and entered into force after being published in the Official Gazette No. 29588, dated 9 January 2016.

2.4.2. Developments in Payment and Securities Settlement Systems Regarding Licensing

As a result of the assessments within the context of Article 6 of the “Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions” Law No. 6493, and Article 9 of the “Regulation on Operations of Payment and Securities Settlement Systems”, “Regulation” hereafter, it has been decided that:

- The “Equities Market Clearing System” operated by the Istanbul Clearing and Custody Bank (Takasbank), through which clearing and settlement activities related to the transactions realized at the Borsa Istanbul Equities and Emerging Companies Market are performed, and the “Debts Securities Market Clearing System”, through which clearing and settlement activities related to the transactions realized at the Borsa Istanbul Debt Securities Market are performed, regarded as securities settlement systems in accordance with Law No. 6493, and in this context Takasbank, is licensed as a system operator,
- “Domestic Clearing and Netting System” operated by the Interbank Card Center (ICC), which provides interbank clearing

and settlement of debit and credit card transactions, is regarded as a payment system in accordance with Law No. 6493 and in this context the ICC is licensed as a system operator,

- The “Central Dematerialized System” operated by the Central Registry Agency (CRA), in which clearing and settlement activities related to securities transfers are carried out, is regarded as a securities settlement system in accordance with Law No. 6493 and in this context the CRA is licensed as a system operator,
- “TakasNet System” operated by Garanti Payment Systems (GOSAS) in which clearing and settlement activities related to transactions realized with debit and credit cards issued under the BONUS brand and through which BONUS POS machines are carried out, is regarded as a payment system in accordance with Law No. 6493 and, in this context, GOSAS is licensed as a system operator,
- The Cheque Clearing System operated by the Interbank Clearing Houses Center (ICH), through which clearing and settlement activities related to interbank cheques payments are performed by book-entry form, is regarded as a payment system in accordance with Law No. 6493 and in this context the ICH is licensed as a system operator, and
- 18 activities of Takasbank, 11 activities of ICC, 10 activities of CRA and 6 activities of GOSAS are approved as other activities to be performed within the scope of their operating licenses in addition to their system operator activities pursuant to Article 17 of the Regulation.

These CBRT’s decisions were published in the Official Gazette No.29391, dated 19 June 2015.

Additionally, the decree regarding the approval of activity of hosting information systems owned by “Capital Markets Licensing Registration and Training Agency” on the Central Registry Agency’s servers within the scope of the CRA’s other activities pursuant to Law No. 6493 and Article 17 of the Regulation was published in the Official gazette No. 29536, dated 18 November 2015. This decree also covers this activity to be included in the operating license which is granted to the CRA to operate the securities settlement system.

2.4.3. Usage Statistics of the CBRT Payment Systems

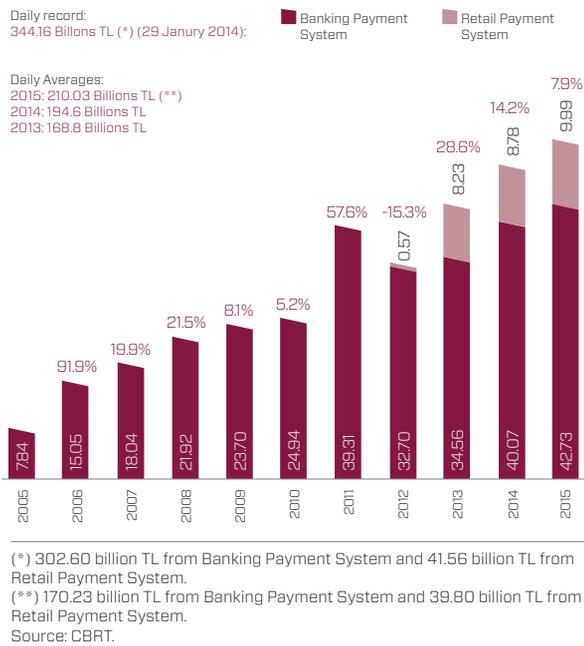
The yearly total amount reached in the Banking Payment System (BPS) and Electronic Securities Transfer and Settlement (ESTS) System was 42.73 trillion Turkish liras, with a maximum daily amount of 302.60 billion Turkish liras obtained on 29 January 2014. The average daily amount of transactions was 170.23 billion Turkish liras in 2015 (Graph 28). The number of transactions handled in the system was 2.9 million in 2015. The average daily number of messages was 11,626 in 2015. The daily number of transactions hit a peak of 22,831 on 8 October 2014 (Graph 29).

The Retail Payment System (RPS) began operating on 7 December 2012. The total amount reached 9.99 trillion Turkish liras. The maximum daily amount was 74 billion on 30 June 2015. The average daily amount was 39.80 billion Turkish liras. The number of transactions handled in the system was 315.24 million and the average daily number of messages was 1,255,949. The daily number of transactions hit a peak of 3,141,654 on 16 November 2014.

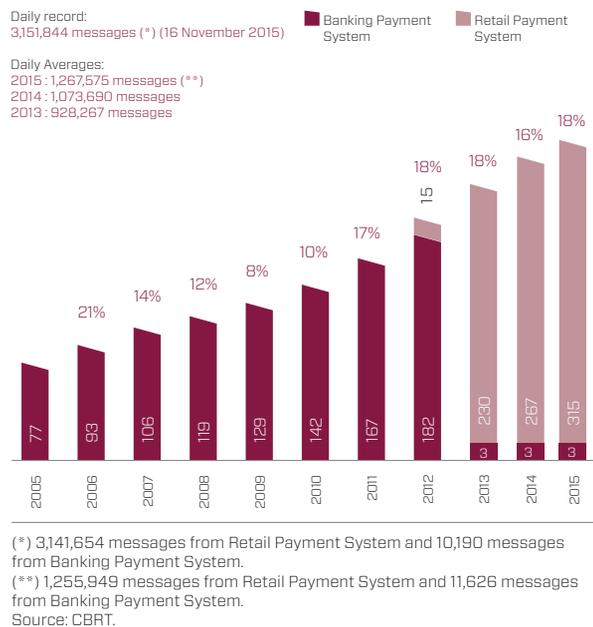
The number of transactions handled in the Auction System was 126,834.

The number of participants in CBRT Payment Systems was 52 as of end-2015.

Graph 28. Value of Transactions in CBRT Payment Systems (Trillion TL)



Graph 29. Volume of Transactions in CBRT Payment Systems (Million Messages)



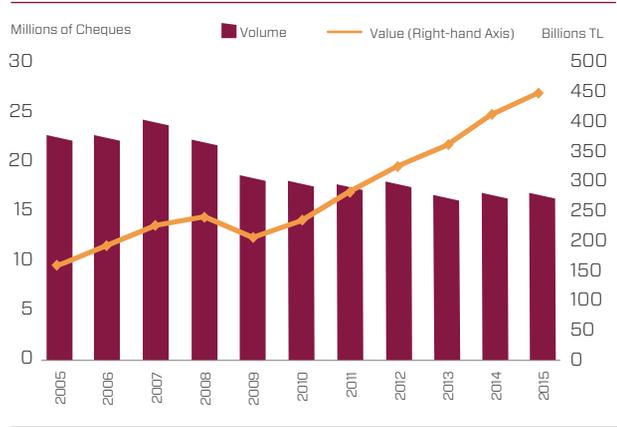
2.4.4. Cheque Clearing System

The ICH, established with the Law on Regulation of Payments by Cheque and Protection of Cheque Holders (The Law Number: 3167), performs its activities via Ankara and Istanbul Clearing Houses in accordance with the ICH regulation issued by the CBRT.

The smooth and efficient functioning of the cheque clearing system which has a vital role among the payment systems, is of utmost importance in order to fulfill the payments made by cheque. Therefore, with the aim of enhancing quality and efficiency of cheque clearing activities, technological developments and improvements have been fulfilled in the ICH. In this perspective, the technical infrastructure of the ICH was renewed in 2015 so that the cheque images could be transferred electronically and viewed by the member banks.

The volume and value of cheques cleared in the ICH in 2014 were 17.4 million and 403.9 billion TL, respectively. In 2015, the volume of cheques cleared 16.9 million and the value increased to 442.7 billion TL (Graph 30).

Graph 30. Cheques Cleared in the Interbank Clearing Houses Center



Source: ICH.

2.4.5. International Bank Account Number Usage

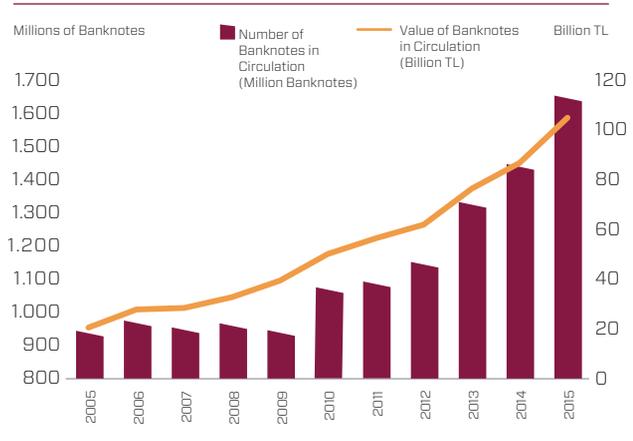
Regarding the implementation of the International Bank Account Number (IBAN) communique issued by the CBRT, it has been observed that IBAN usage ratio for the senders was 99.7 percent whereas the recipients' ratio was about 88.2 percent on fund transfers made through Electronic Fund Transfer System as of the end of 2015.

2.5. Banknotes in Circulation

The value of banknotes in circulation increased by 21.1 percent compared to the preceding year and reached TL 103.0 billion by the end of 2015. The total number of the banknotes in circulation rose by 14.5 percent and reached 1,633.7 million banknotes at the end of 2015. During the last five years, the average annual growth rate of banknotes in circulation and the average growth rate of the number of banknotes in circulation were 16.2 and 9.1 percent, respectively (Graph 31).

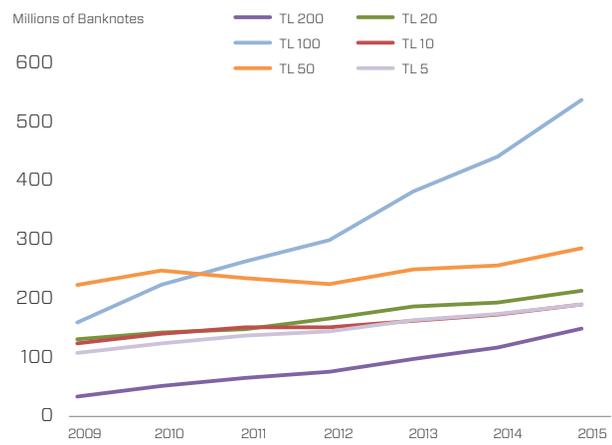
Excluding withdrawn banknotes which are still in a 10-year redemption period, 1,530.5 million banknotes were in circulation as of 31 December 2015. In terms of number, 100 Turkish lira and 50 Turkish lira banknotes accounted for the largest shares of banknotes in circulation (Graph 32). The share of the two denominations was 49.6 percent. In terms of value, 100 Turkish lira and 200 Turkish lira banknotes accounted for the largest shares, standing at 51.5 and 27.9 percent respectively at the end of the year (Table 1).

Graph 31. Value and Number of Banknotes in Circulation



Source: CBRT

Graph 32. Number of Banknotes in Circulation by Denomination (Millions of Banknotes)



Source: CBRT.

Table 1. Banknotes in Circulation (as of 31 December 2015)

Denomination	Amount	Share (Percent)	Pieces	Share (Percent)
TL 200	28,742,042,200.0	27.89	143,710,211.0	8.80
TL 100	53,064,512,800.0	51.50	530,645,128.0	32.48
TL 50	13,977,754,200.0	13.57	279,555,084.0	17.11
TL 20	4,157,319,880.0	4.03	207,865,994.0	12.72
TL 10	1,842,387,575.0	1.79	184,238,757.5	11.28
TL 5	922,295,120.0	0.90	184,459,024.0	11.29
SUB TOTAL	102,706,311,775.0	99.68	1,530,474,198.5	93.68
Others*	336,324,393.5	0.32	103,217,295.5	6.32
TOTAL	103,042,636,168.5	100.00	1,633,691,494.0	100.00

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

Source: CBRT

The ratio of the annual average value of banknotes in circulation to the GDP is increasing. The ratio, which was 2.6 percent in 2005, reached 5.1 percent at the end of 2015 as shown in Graph 33.

In 2015, a total transaction of 708.5 billion TL, (345.3 billion TL deposits vs. 363.2 billion TL payments), was realized through 21 branches, 16 banknote depots and 2 cash centers.

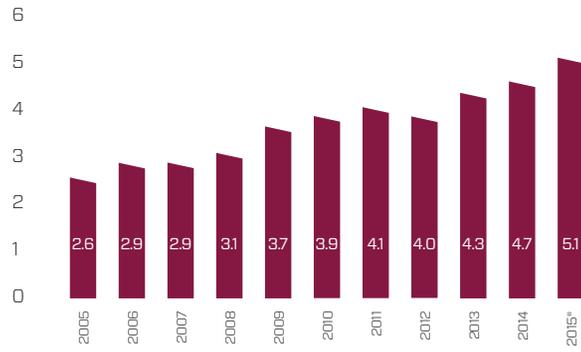
Moreover, in 2015, 41.4 billion TL deposits and 40.6 billion TL payment transactions were made in banknote depots, which have been established in 16 cities where our Bank does not have branches, with the objective of improving banknote quality and meeting various cash demands of the market on time. In other words, 11.6 percent of the Bank's total transaction volume in 2015 was made through the banknote depots.

The European Side Cash Center that was established as a sub-division of the Istanbul Branch in 2012 received 38.1 percent share in total volume of cash operations of Istanbul in 2015. In the same period and among the total volume of cash operations, the shares of the European Side Cash Center, the Ankara Branch, the İstanbul Karaköy Branch, the Anatolian Side Cash Center and the İzmir Branch were 12.4, 11.3, 11.1, 9.1 and 7.8 percent, respectively.

The 10-year redemption period for the Seventh Emission Group (E7) banknotes withdrawn from circulation as of 1 January 2006 with denominations of 250,000, 500,000, 1,000,000, 5,000,000, 10,000,000 and 20,000,000 ended on 31 December 2015 and they lost their values as of 1 January 2016.

Thereby, the withdrawal of banknotes with multiple zeros, which had a negative effect on the credibility of our currency and caused great difficulty in payment systems, was realized and an important part of the currency reform was finalized.

Graph 33. Annual Average Value of Banknotes in Circulation / GDP (Percent)



(*) 2015 GDP data are annualised by using 9 months data.
Source: CBRT

2.6. Foreign Exchange Reserve and Risk Management

The CBRT holds foreign exchange reserves in support of a range of objectives which include assisting the 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 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.

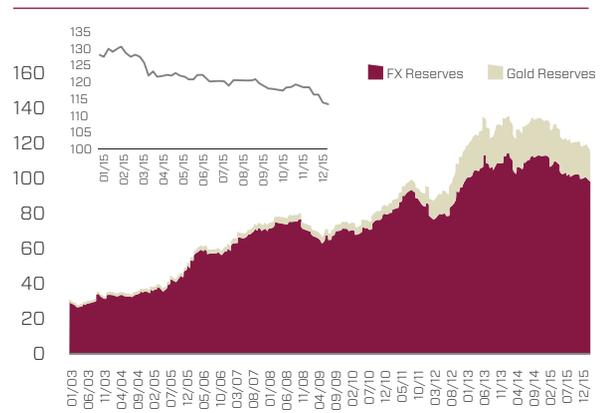
The institutional decision-making framework of reserve management has a three-tier hierarchical structure. The Board, as the top decision-making authority of the CBRT, determines the general investment criteria for reserve management by approving the Guidelines for Foreign Exchange Reserve Management 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 Governor to make decisions regarding implementation. Upon the proposal of the Foreign Exchange Risk Management and Investment Committee (FXRIC), the decisions made by the Executive Committee or the Governor 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 CBRT, is determined and approved. Upon the proposal of the FXRIC at each year-end to be implemented in the following year, the benchmark portfolio, indicating the strategic asset allocation preferences of the CBRT 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 Reserve Management Division whereas risk management related to the reserve management operations is carried out by the Risk Management Division.

Based on the objectives and limits set by the Guidelines and the benchmark portfolio, reserve management operations are conducted 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 and securities lending transactions.

Gold holdings of the CBRT dropped to 518.7 tons and gold reserves constituted 15.5 percent of total reserves as of December 25th 2015 (Graph 34). 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.

Graph 34. Foreign Exchange and Gold Reserves of the CBRT (Billion USD)



Source: CBRT.

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 CBRT's preferences regarding strategic asset allocation, the benchmark portfolio consists of the target currency composition, duration targets and related deviation limits from these targets, 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 2015 too. In this context, as the financial risks remained elevated in 2015, the conservative approach continued and all necessary measures were taken to preserve the value of reserve assets.

In brief, reserve and risk management practices were 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.

2.7. European Union Harmonization Activities

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

Table 2 below shows developments on relevant chapters, in which CBRT participated in the screening process as well as in the accession negotiations.

Among chapters that are directly related to the Bank, Chapters “18. Statistics” and “32. Financial Control” were opened to negotiations on 26 June 2007, Chapter “4. Free Movement of Capital” and Chapter “17. Economic and Monetary Policy” were opened to negotiations on 19 December 2008 and 14 December 2015, respectively. 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” made 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 “33. Financial and Budgetary Provisions” is still under review by the Council.

Since the start of 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 to which the Bank has contributed. 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. 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 to the Ministry of EU Affairs on the developments in the related Chapters.

Table 2. 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
4. Free Movement of Capital	Opened to negotiations. (19 December 2008)	2. Free Movement of Workers	In process at the Council.
9. Financial Services	Opening of the chapter was blocked. (14-15 December 2006)	6. Company Law	Opened to negotiations. (17 June 2008)
17. Economic and Monetary Policy	Opened to negotiations. (14 December 2015)	16. Taxation	Opened to negotiations. (30 June 2009)
18. Statistics	Opened to negotiations. (26 June 2007)	19. Social Policy and Employment	Opening benchmarks have been defined.
32. Financial Control	Opened to negotiations. (26 June 2007) Within the context of Positive Agenda	28. Consumer and Health Protection	Opened to negotiations. (19 December 2007)
33. Financial and Budgetary Provisions	In process at the Council.		

2.8. Communication Policy and Activities

In addition to the monetary policy it implements, the CBRT also acts diligently to conduct an efficient communication policy, in line with the accountability promises linked to the Central Bank instrumental independence. Therefore, in 2015, by improving its stance on communication and transparency, the CBRT aimed to enhance public confidence in the Bank's policies and to reinforce the effectiveness of these policies.

The implications of the principle of accountability are explicitly set out in Article 42 of the CBRT Law. In accordance with Article 42, Governor Erdem Başçı delivered presentations on the economic outlook and monetary and exchange rate policy implementations before the President of the Republic of Turkey on 11 March 2015 and before the Council of Ministers on 27 April 2015. As required by the principle of accountability, the CBRT continued to publish, in 2015, its analytical balance sheet daily on its website. The CBRT also issued a report to make the results of the independent audits of the Bank balance sheet and income statements public. To serve the same purpose, the CBRT disclosed the rationale and consequences of its policy decisions via regular reports and presentations throughout the year.

Under the current monetary policy implementation, the CBRT's main communication tools are the MPC decisions and the Inflation Reports. Via the Inflation Reports that are published on a predetermined calendar, the Bank informed the public about its general evaluations of international economic developments, inflation, supply and demand developments, financial markets, financial intermediation and public finance as well as its medium term inflation forecasts. Moreover, the Inflation Reports also contained thematic boxes on up-to-date issues regarding the Turkish economy. Accordingly, Inflation Reports were presented by Governor Erdem Başçı at briefings on 27 January 2015 and 30 July 2015 in Ankara and on 30 April 2015 and 28 October 2015 in Istanbul. As of 30 April 2015, these conferences have been webcast on the CBRT website.

In 2015, the Bank continued to post on its website the MPC decisions on short-term interest rates and other monetary policy instruments, as well as the summaries of the MPC meetings, on scheduled dates as was announced in the Monetary and Exchange Rate Policy for the 2015 document. On 9 December 2015, the CBRT shared with the public the Monetary and Exchange Rate Policy for 2016, and made public that the text of the Monetary and

Exchange Rate Policy for 2017 would be released on 6 December 2016. Throughout 2015, the CBRT informed the public about the Bank's main activities, and via 76 press releases, the changes in implementations that are of significant interest to the public.

To facilitate better public understanding of monthly inflation developments, the Bank issued the Monthly Price Developments Report on the day following the release of inflation figures.

The CBRT, which safeguards financial stability along with its primary objective of price stability, issued Financial Stability Reports on its website on 29 May 2015 and 30 November 2015 in accordance with its pre-announced calendar of data releases. Through the Financial Stability Reports, the CBRT shared its perspective on the overall financial sector with respect to the most recent developments both in Turkey and around the world.

With the aim of promoting the Bank and its policy implementations, the CBRT prepared several publications in 2015 and released them in both print and electronic formats. The CBRT published the booklet on the Financial Stability - Financial Stability Developments in Turkey (available only in Turkish) and circulated it to banks, universities' economics departments, libraries, non-governmental organizations and various other institutions in Turkey. In addition, the Saving-Investment Dynamics and Current Account Balance Developments and G-20 Forum and 2015 Turkish Presidency (available only in Turkish) booklets were prepared. The Bank also continued to publish the quarterly CBRT Bulletin, which informs different segments of the public about CBRT's policy implementations, its corporate structure, activities and publications. The Bulletin reaches a wide audience in Turkey and abroad and is also available on the CBRT website.

As part of direct communication, in 2015, Governor Erdem Başçı delivered various speeches and presentations in Turkey and abroad, through which he introduced the policies and implementations of the Bank and analyzed current economic developments. Within this scope, Governor Başçı delivered presentations at the Banks Association of Turkey (TBB) on 6 April 2015 in Ankara and on 29 September 2015 in Istanbul and explained the CBRT policies at events organized by various non-governmental organizations as well as at international meetings and conferences.

Presentations and speeches delivered by the Governor, the MPC members and senior Bank management and the videos of some of the Governor's speeches are available on the CBRT website.

As part of its communication policy, the Bank has been holding meetings closed-to-the-press since May 2011 to meet the requests from bank economists for meetings on a technical level. These meetings, which are held in the presence of the MPC members as well as representatives from relevant departments of the Bank, start with a presentation on the latest macroeconomic developments made 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-and-answer session at which members of the MPC answer questions from economists. A total of nine meetings were held in 2015 (one in New York and the others in Ankara), attended by 341 Turkish and foreign economists and analysts. The presentations delivered at these meetings are posted on the CBRT website under the Technical Presentations menu.

The CBRT continued to administer its new website, which was revised not only to meet the information needs of a wide range of target groups, but also to enrich its content. The new website was launched on 27 September 2014. Meanwhile, work continued on the completion of mobile applications for both iOS and Android that will provide information on TL banknotes and their security features, as well as exchange rates, statistics, press releases, publications, and the Bank's management.

In 2015, the application procedures for and the format of the "Informative Sessions for University Students" were revised and the content of the sessions was enriched. For this program, the Bank dedicated a specific page on its website (the page is in Turkish), and is accessible under the Education & Academic menu. Throughout 2015, a total of 1,080 students from 24 universities benefited from these informative sessions.

In 2015, the CBRT continued to respond to requests for information via its electronic mail address, 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, i.e. BIMER (the Communication Center of the Prime Ministry), both established pursuant to the Law on the Right to Information, and more recently, CIMER (the Communication Center of the Presidency of the Republic of Turkey) which was

introduced in October 2015. Throughout 2015, a total of 1,820 applications were responded to via the Right to Information System, 345 applications via BIMER and 12 applications via CIMER.

In accordance with the framework defined by the Prime Ministry Circular dated 5 June 2014 on Financial Access, Financial Education and Financial Consumer Protection Strategy and Action Plans to facilitate financial education, the CBRT has for some time been actively using, its social media accounts, Twitter, Facebook, YouTube and Flickr. Twitter has become the most actively used social media channel. In 2015, more than 500 tweets were posted and the CBRT reached approximately 36,000 followers for its Twitter account in Turkish. Remarks by Governor Başçı were also shared on the CBRT's YouTube channel.

In the framework of the same Prime Ministry Circular, the CBRT held several activities in 2015 to encourage the use of the *kurus* (Turkish coins) and foster the habit of saving. As part of these informative activities, the CBRT set up a booth in the 37th International Children's Festival organized by the TRT on 15-23 April 2015 in Antalya. During this eight-day Festival, the Bank distributed to children various CBRT-designed materials, bearing the Turkish lira signs and emphasizing concepts such as savings, the *kurus*, money, money boxes and banks. Additionally, the CBRT distributed 5,000 copies of the January 2015 issue of the TÜBİTAK's (the Scientific and Technological Research Council of Turkey) popular science magazine for children "The Curious Puppy", which was specifically on money. In the scope of the efforts towards encouraging the use of the *kurus* and fostering the habit of saving, a series of stories entitled the "Kurus Family", explaining the basic concepts of saving habits and the use of the *kurus*, was published in the TRT Child Magazine. In 2015, a total of 114,000 TRT Child Magazines were distributed in schools and various events. The CBRT published "Kurus Family" stories on its website and social media accounts.

Besides these, monitoring and reporting global developments in the monetary policy decision making process are as important as monitoring the domestic economic developments. Global economic developments were monitored on a daily, weekly and monthly basis. Economic analyses oriented toward these developments were reported to the senior management and internally, in the form of periodic presentations and reports. These informative documents and presentations are important contributions to the MPC's decision-making process.

2.9. International Cooperation and Organizations

2.9.1. International Relations

In December 2013, Turkey became a member of the Troika which is the main platform for deciding on the G-20 agenda. On 1 December 2014 Turkey assumed the presidency (for one year) of the G-20.

The CBRT and the Treasury have worked together on the G-20 finance channel. The main working areas of the CBRT were determined as follows: “The Framework Working Group for Strong Sustainable and Balanced Growth”, “International Financial Architecture” and “Financial Regulations”. Additionally, the CBRT provided support to the logistic services of the G-20 presidency.

During the presidency, Turkey held five deputies meetings, four finance ministers and central bank governors meetings and four framework working group meetings.

The CBRT took an active role in the writing process of issue notes which were sent to the G-20 members prior to the meetings. The CBRT chaired the “Global Economy” and “Financial Regulations” sessions of the G-20 meetings and actively took part in the writing process and drafting sessions of the Communiqués which are publicly announced following the finance ministers and central bank governors meetings. In addition, CBRT contributed to the studies of “The Framework Working Group for Strong Sustainable and Balanced Growth” at a technical level.

The outcomes of the Turkish presidency were reflected in the draft of the G-20 Leaders’ Communiqué and Action Plan and submitted to the Leaders’ Summit. On 15 - 16 November 2015, G-20 Leaders came together in Antalya and finalized the G-20 Leaders’ Communiqué and Action Plan. On 16 November 2015 the G-20 Leaders’ Communiqué and Action Plan were publicly announced.

Moreover, in order to support and give a direction to the meetings of finance ministers and central bank governors, the CBRT organized conferences and workshops by inviting participants from universities, the business world and the public sector. In this framework, on 16 April 2015, at the invitation of the CBRT, Prof. Nicholas Bloom gave a speech to the central bank governors at the working dinner entitled the “G-20 Central Bank Governors’ Working Dinner on Uncertainty and Volatility”.

In 2015, the CBRT took further steps toward enhancing communication and bilateral cooperation with other central banks. In this context, high level policy dialogue meetings were held with the European Central Bank (ECB) and Banca d’Italia in September and with Deutsche Bundesbank in November.

For the planning of cooperation activities, two stock-taking meetings were held with the ECB in June and August. Under the MoU signed in 2013, a high-level technical meeting was held jointly with Banca d’Italia on 7 September 2015 in Istanbul. The Representative of Banca d’Italia in Turkey visited the CBRT in May and November. Under the MoU signed in 2013, a visit was made to the Deutsche Bundesbank Headquarters for talks on cooperation activities on 19 October 2015. In addition, the new Representative of Deutsche Bundesbank in Turkey visited the CBRT to meet with officials from various departments of our Bank on 19 August 2015.

On 4 September 2015, a MoU was signed with Bank Indonesia in order to enhance bilateral relationship, to foster cooperation and to share information in the field of central banking. In line with the MoU with Bank Indonesia, mutual expert visits, technical consultancy on central banking issues, bilateral research activities, seminars and workshops are planned for the coming years. Following the signing of the MoU, as part of the preparatory process for the planned changes on the Central Bank Act of the Republic of Indonesia, a delegation composed of members of the relevant Commission in the Indonesian House of Representatives as well as officials from Bank Indonesia and from other relevant institutions and organizations visited the CBRT.

On 29 December 2015, a MoU aiming to enhance bilateral cooperation with the Bank of Mozambique was signed.

Within the context of bilateral cooperation, a delegation from the Central Bank of the Republic of the Philippines visited the CBRT on 23 October 2015. In addition, high-level meetings were conducted with foreign representatives of other countries.

In addition, the following delegations have undertaken study visits to the CBRT: the delegation from the Central Bank of Azerbaijan on “Balance of Payments and Company Accounts” between 31 March-1 April 2015, the delegation from the Central Bank of Lebanon on “House Price Index” between 15-16 June 2015, the delegation from the Central Bank of Cambodia on “Balance of Payments Statistics” between 23-25 June 2015, the delegation from the Central Bank of Uganda on “Tendency Surveys” between 4-5 November 2015.

2.9.2. 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, panels, workshops and conferences to discuss topics constituting the agenda of the G-20 within Turkey's 2015 Presidency. Many leading experts from Turkey and abroad attended these organizations.

In this context, the CBRT hosted the following events:

- The seminar on “G-20 and IMF Issues” jointly organized with the ECB within the G-20 framework in Ankara on 29 January 2015.
- The workshop on “Causes and Effects of Oil Price Movements and Policy Implications” jointly organized with the Reinventing Bretton Woods Committee (RBWC) within the G-20 framework in Istanbul on 7 February 2015.
- The meeting of Central Bank Governors on Macroprudential Policies jointly organized with the BIS within the G-20 framework in Istanbul on 9 February 2015.
- The conference on “G-20 Data Gaps Initiative (DGI)” jointly organized with the International Monetary Fund (IMF) in Ankara on 16-17 March 2015.
- The 14th Regional Payment Systems Workshop jointly organized by the Committee on Payments and Market Infrastructures (CPMI) of the BIS in Antalya on 13-16 May 2015.
- Workshop on “Monetary Policy in Emerging Economies” in Izmir on 28 - 31 May 2015.
- The workshop on “International Monetary and Financial System: short-term challenges, long-term solutions” jointly organized with the Bank of England (BOE) within the G-20 framework in Bodrum on 14 June 2015.
- The meeting on “International Committee on Credit Reporting-ICCR” in Istanbul on 27-28 August 2015.
- The conference on “Balanced and Sustainable Growth - Operationalising the G-20 Framework” in Frankfurt on 27-28 August 2015.
- The conference on “Global Islamic Finance: Benefits and Opportunities” within the G-20 framework in Istanbul on 31 August- 1 September 2015.
- The “BIS Bimonthly” meeting jointly organized with the BIS in Ankara on 6-8 September 2015.
- The Seminar on “Early Warning Indicators” jointly organized with the ECB in Istanbul on 28-29 September 2015.
- The Conference on “Macroprudential Policy: Effectiveness and Implementation Challenges” jointly organized with the BIS and IMF within the G-20 framework in Istanbul on 26-27 October 2015.
- The “15th International Islamic Liquidity Management Corporation (IILM) Governing Board Meeting” in Istanbul on 6 December 2015.

2.10. Research and Development Activities

In 2015, the working papers and research notes 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, 38 new publications were added to the CBRT working papers series that are composed of refereed research papers written by the staff of the Research and Monetary Policy Department. In addition, 23 new notes were added to the CBRT research notes on economics to contribute to discussions on economic issues in a timely fashion and to disseminate the results of research about the Turkish economy and monetary policy.

The CBRT's refereed journal, the "Central Bank Review" covering topics such as macroeconomic stability, financial stability, liquidity management, payment systems and reserve management was published in three issues in 2015.

Moreover, 19 of the articles written in collaboration with the staff of the Research and Monetary Policy Department were published in journals listed in the Social Sciences Citation Index. In 2015, 30 seminars were organized by the Research and Monetary Policy Department for the CBRT staff. In these seminars, presentations were given by lecturers from domestic and international universities, international organizations and fellow central banks.

The Department hosted the 7th CBRT Internal Research Conference, which was attended by lecturers from miscellaneous domestic universities. Six papers were presented and discussed during the conference.

The Istanbul School of Central Banking (İMB) staff published 17 research papers in 2015; 4 of the papers were published in the journals listed in the Social Sciences Citation Index, 7 of the studies published in CBRT Working Paper Series, 2 were published in the Central Bank Review and 4 of the papers published in other national and international research publication.

In order to contribute to the CBRT's technical capacity, knowledge, communication and bilateral cooperation in the areas of central banking, economics and finance, the İMB hosted

22 research seminars with the participation of academics, expert researchers and central banks' economists. Moreover, the İMB hosted visiting programs which are designed to discuss academic studies prepared at the CBRT with an innovative view and to increase their visibility. Seventeen economists from 15 different institutions participated in the İMB's visiting programs.

In addition, the Banknote Printing Plant conducted some research and development projects in 2015. In this context,

- The Banknote Printing Plant established a management system in 2015 pursuant to the Occupational Health and Safety legislation and in compliance with the terms of TS OHSAS 18001:2008 Occupational Health and Safety Management System Standard. This established system was audited by the Turkish Standards Institution and a certificate of OHSAS 18001 Occupational Health and Safety Management System was received.
- Pursuant to the relevant legislation, required conditions have been provided to use energy more efficiently at the Banknote Printing Plant and certifications for the Energy Manager have been obtained. Studies on energy usage of the Banknote Printing Plant have started.
- The Infrastructure of Graphic and Engraving drawing software to be used for banknote design has been upgraded, and procurement works have been concluded regarding "the Computer-to-Offset Plate Production System" that enables the production of offset banknote plates.
- The entire electronic control unit, main motor, most of the sensors and some mechanical parts of one of the numbering machines have been upgraded. The printing machine in question has been upgraded to be controllable via computer. Moreover, the electronic control unit of the machine designed from scratch and the software of PLCs (Programmable Logic Controller) on the electronic control unit have been improved.
- Feasibility studies regarding research, development and application have been realized for some new projects.

Furthermore, important projects and developments accomplished in 2015 in the field of the CBRT information technologies (IT) are summarized below:

- Projects to convert software developed in-house to a modern enterprise software development platform, aiming to be able to run them on technologically independent and flexible infrastructure, continued throughout the year. The conversion program was restructured with support from Enterprise Architecture, based on analysis of the applications portfolio according to criteria such as suitability for outsourcing, tolerance for interruption, complexity, risk, estimated conversion cost, dependence on software developers, data relationships and data size.
- The IT Steering Committee was established to ensure business-IT alignment and to make recommendations for strengthening institutional governance. Three meetings were held in 2015 and tasks such as prioritizing IT projects, checking periodically that they are in line with the plans and ensuring their resource planning were carried out accordingly.
- In 2015, network devices and cabling infrastructure in the server and the DMZ systems network infrastructure located both at the Head Office and the Disaster Recovery Center were all renewed to react instantly to interruptions that may occur, thus ensuring no disruptions in communication.
- The CBRT became a member of the Réseaux IP Européens Network Coordination Centre as a Local Internet Registry.
- HSMs used in the Bank's Swift infrastructure in the Head Office and the Disaster Recovery Center were renewed as part of the process started by Swift. In conformity with the announced calendar, new HSMs, two for the Head Office and one for the Disaster Recovery Center, were successfully installed.
- The CBRT's market data distribution infrastructure was replaced by a flexible, optimized, expandable and independent new system named the "Market Data Distribution System" which was developed in-house. The new system includes the required approval mechanisms in the data publishing process and a significant portion of the published data is transferred automatically from the corporate database. As a result, any pre-existing operational risk is minimized.
- Various training programs have been arranged regarding the awareness of information security practices in the CBRT. In addition, tests have been conducted among the Bank's employees to evaluate and raise their current levels of awareness of information security. The CBRT IT Security group has participated in cyber security events with other public institutions, the private sector, and universities. The CBRT's Cyber Security Incident Response Team (CSIRT) has also participated in activities coordinated by the National CSIRT Coordination Center.
- Technological security infrastructure enhancements have been carried out to improve the performance and capacity of the systems. The aim of the enhancements are to detect security vulnerabilities, harden IT systems against threats, implement necessary security measures, and enhance information security technologies through a load-sharing, failsafe and multi-layered security perception.

2.11. Training Activities

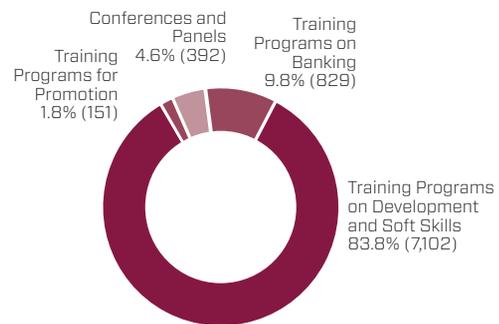
In 2015, 9,957 people participated in the training activities organized by the CBRT; 580 CBRT employees benefited from training activities organized by other institutions while 42 CBRT employees took part as speakers and lecturers in training activities organized by other institutions in Turkey and abroad.

2.11.1. Training Activities Organized by the CBRT

In 2015, 8,474 CBRT employees attended programs organized by 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 35).

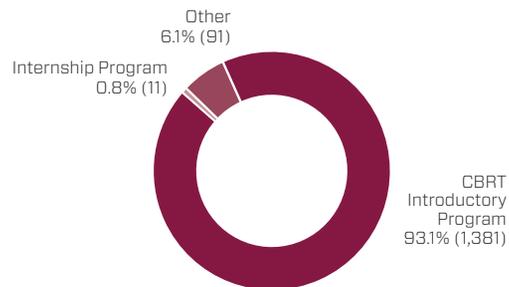
A total of 1,381 university students were enrolled in the “CBRT Introductory Program” and 11 university students completed internships. Also, 89 temporary staff and 2 participants from other institutions amounted to 91 people who attended training programs organized by the CBRT (Graph 36).

Graph 35. Training Activities for CBRT Employees (Number of CBRT Employees)



Source: CBRT.

Graph 36. Training Activities for non-CBRT Employees (Number of Participants)



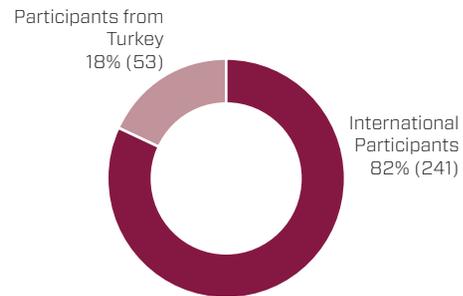
Source: CBRT.

2.11.2. International Training and Technical Cooperation Activities

A total of 479 officials from central banks and related policy institutions of 78 countries, including officials from Turkey, participated in the international training and technical cooperation activities organized by the İMB in 2015. A total of 426 officials from Asia, Europe, and Africa and South America continents joined these activities.

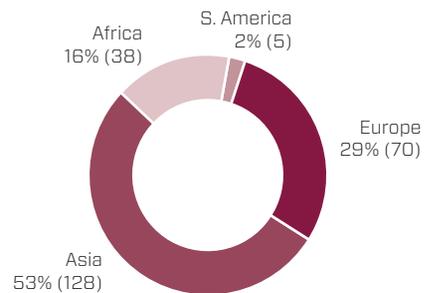
The İMB organized 11 international training activities (i.e. seminar, workshop and course) on central banking issues with the participation of central banks, related policy institutions and international institutions in 2015. Two hundred ninety-four officials from central banks and related policy institutions of 62 countries, including officials from Turkey, participated in the international training activities (Graph 37). Overall, 241 officials from Asia, Europe, and Africa and South America continents joined these international training activities (Graph 38).

Graph 37. Distribution of Participation in the International Training Activities Organized by the İMB (Number of Participant)



Source: CBRT.

Graph 38. Distribution of Participation from Other Countries in the International Training Activities Organized by the İMB (Number of Participant)



Source: CBRT.

The İMB organized the following international training activities:

- Workshop on “Human Resources at Central Banks” in Istanbul on 8 - 10 April 2015.
- Seminar on “Balance of Payments and External Statistics” in Istanbul on 27 - 29 April 2015.
- Seminar on “Financial Stability, Financial Crises and Monetary Policy in Istanbul on 4 - 8 May 2015.
- Workshop on “Monetary Policy in Emerging Economies” in Izmir on 28 - 31 May 2015.
- Seminar on “Global Financial Integration and Capital Flows” in Istanbul on 10 - 12 June 2015.
- Seminar on “Payment Systems and Instruments” in Istanbul on 2 - 4 September 2015.
- Seminar on “Prudential Supervision and Macroprudential Regulations” in Istanbul on 14 - 18 September 2015.
- Seminar on “Foreign Exchange Reserve and Risk Management” in Istanbul on 30 September - 2 October 2015.
- Seminar on “Short-term Forecasting at Central Banks” in Istanbul on 9 - 13 November 2015.
- Workshop on “Islamic Banking and Liquidity Management” jointly organized with the World Bank Global Islamic Finance Development Center and the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) in Istanbul on 16-17 November 2015.
- Course on “Introduction to Monetary Policy Modelling” in Istanbul on 7 - 11 December 2015.

With the intention of improving bilateral cooperation with the central banks and international institutions, the İMB organized 11 technical cooperation programs for various central banks on “Risk Management and Compliance”, “Human Resources Management”, “Balance of Payments Statistics and Collection and Analysis of Real Sector Data”, “Internal Audit Practices”, “Public Awareness, Resources Collection and Library Management”, “Monetary Policy Implementation and Modelling”, “Real Sector Indicators”, “Turkish Lira and Foreign Exchange Markets Management” and “Protocol Management System” in Ankara. Additionally, the İMB organized 4 technical cooperation programs abroad on “Financial Stability”, “Payment Systems” and “Cash Management”.

Moreover, within the scope of the MoU agreement between the Central Bank of Afghanistan and the CBRT, the İMB arranged 2 technical cooperation programs in Ankara for officials from the Central Bank of Afghanistan. Likewise, within the scope of the Memorandum of Understanding agreement between Central Bank of Montenegro and the CBRT, the İMB arranged 3 technical cooperation programs in Ankara, 1 technical cooperation program in Istanbul and 2 technical cooperation programs in Podgorica/Montenegro for the officials from the Central Bank of Montenegro. Within the scope of the Memorandum of Understanding agreement between Bank Indonesia and the CBRT, the İMB arranged 1 technical cooperation program in Ankara for the officials from Bank Indonesia.

Furthermore, the İMB organized a regional workshop on “Maintaining Financial Stability with Widening Financial Inclusion: The Case of African States Workshop” in Istanbul specifically for the Sub-Saharan African Region within the technical cooperation activities.

The CBRT shared its experience on central banking issues with 185 officials from 28 central banks through these 25 technical cooperation programs.

2.11.3. Training Activities Organized by Other Institutions

A total of 122 CBRT employees attended short-term training programs organized by other institutions in Turkey and 224 CBRT employees attended international short-term training programs by foreign institutions. Furthermore, in accordance with the “Financial Support Program for the Academic Studies”, 84 CBRT employees participated in training programs organized by other institutions (Graph 39).

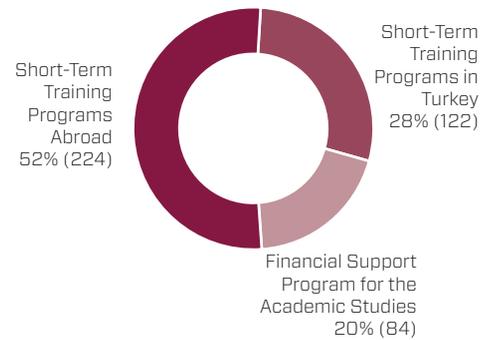
During 2015, 111 CBRT employees, 19 of whom were recently enrolled, continued their Master’s and PhD degree programs in Turkey, while 39 employees, including 8 recently enrolled, studied for Master’s/ PhD degree programs abroad (Graph 40).

2.11.4. Other Activities

Within the category of “Assignment of Speakers and Lecturers from the CBRT”, 24 employees gave lectures in various training events organized by other institutions in Turkey. Moreover, 18 CBRT employees gave semester based lectures in different universities in Turkey.

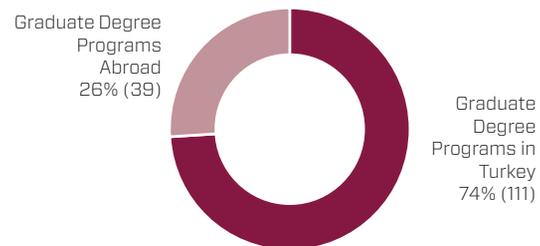
In addition, thesis studies of 14 assistant specialists were examined and evaluated by the committee.

Graph 39. Short-Term Training Programs
(Number of CBRT Employees)



Source: CBRT.

Graph 40. CBRT Employees Attending Graduate Programs
(Number of CBRT Employees)



Source: CBRT.

2.12. Culture, Art and Sports

Commemorating the 100th anniversary of the Çanakkale Victory and Çanakkale Land Battles, with a special selection from its collection, the CBRT held the exhibition “From Red to Blue: Contemporary Turkish Painting” in Çanakkale from 18 March through 25 May 2015. Masterpieces by various Turkish masters were presented in the Çanakkale Ceramics Museum (the Müstahkem Mevki Er Bathhouse built in 1905) on the Centennial of the Battle of Gallipoli. The exhibition had a conceptually original theme displaying a metaphoric approach to the Centennial of the war. The colors of the exhibition were dominant red and blue and strategically very important. The exhibition was comprised of outstanding works by Turkish artists and presented a comparative display of classic, modern and contemporary examples of Turkish paintings. The unique works chosen were presented in an exhibition space providing a passage showing the development and change in Turkish art in an intellectually conceptual theme. A special catalogue was published in Turkish/English to document the exhibition for future reference.

Marking the enduring political, economic, cultural and diplomatic relations and close cooperation between Azerbaijan and Turkey, the CBRT held the exhibition entitled “Imagination, Place and Time in Contemporary Turkish Painting” in Azerbaijan in the Baku Heydar Aliyev Center between the dates 13 May and 31 July 2015. This comprehensive exhibition in Baku opened to debate the nature of artistic development that intensified in the Republican era, and in particular, the distinctive interpretations created by the imagination as seen through the lens of place and time. By focusing on the depth of thought and creative potential of Turkish artists from 1950 onwards, it pointed to the differences of perception and interpretation that ensued. A special catalogue was published in Turkish/English/Azerbaijani to document the exhibition for future reference.

Commemorating the 100th anniversary of the Çanakkale Victory, the Bank also brought a book project including three CDs that introduced such a unique and comprehensive archive in which each peace constituted an evidence of the history and was made of folk songs, ghazals, lullabies, hymns, odes, and poems about Çanakkale, entitled “THE LEGEND OF ÇANAKKALE in Memory of the 100th Anniversary of the Victory” into fruition.

Within the scope of the cultural activities held at the 2015 G-20 Antalya Summit hosted by Turkey on 15-16 November 2015, the CBRT showcased the exhibition, “Calligraphy – Ebru (Marbling) – Sedefkârlık (Mother-of-Pearl Inlay)” featuring a selection of works from the Bank’s Art Collection. The exhibition displayed works of art by inlay artist Salih Balakbabalar and marbling master Alparslan Babaoğlu on the theme of calligraphy.

In the context of sporting activities, the CBRT hosted the 9th traditional “Interbank Chess Tournament” with participation from local banks in İstanbul on 5 December 2015. The Bank teams attended “Euro Bridge” in Spain, “Euro Tennis” in Greece, “Euro Table-Tennis” in Germany, “Euro Volleyball” and “Euro Hiking” in Belgium, organized by the central banks that are members of the Sports and Cultural Associations of the European Central Banks and also the “11th Regional Central Banks Sports Tournament” hosted by the Bank of Slovenia in the branches of basketball, chess, and swimming. “Euro Football 2015” was held in Antalya by the CBRT in October 2015.

2.13. 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 by providing donations and financial support. In the scope of the Financial Support Program for Academic Studies, which has been in place since 2006, the Bank has continued to provide support for conferences on economics and finance as well as for other academic and policy-making studies in these fields both at national and international levels. Among the academic programs that applied for support, the Bank provided financial support for 33 academic programs in 2015.

The CBRT granted the 6th Research Awards in 2015 to support academic studies in the fields of the Turkish economy, EMEs and/or central banking and to make these studies accessible to a larger audience. At the end of the evaluation process, one candidate was granted the first-place award, one candidate was awarded second place and two candidates received third-place awards, while two others were granted academic encouragement awards.

The Central Bank Derince Anatolian High School in İzmit was founded by the contributions of the CBRT and the Bank of Greece in the aftermath of the 17 August 1999 earthquake in Turkey. The school, which started education in 2001-2002, had its 14th graduation ceremony in May 2015, where the highest ranking three graduates were awarded with plaques, money awards and various presents. By 2015, 80 high school graduates received scholarships from the Bank for university education. Moreover, the CBRT donated laptops and personal computers to the school.

The CBRT made a donation to the Foundation for the Training and Protection of Mentally Handicapped Children (ZİÇEV) to implement its social responsibility project called “The Comprehension of the Turkish Lira Symbol, Money Recognition, Spending, Budget Preparation”.

The former service building of the Bursa Branch was donated to the Ministry of Finance Directorate General of National Property to be granted to the Bursa Provincial Directorate of Culture and Tourism, so that it can be utilised as a “Provincial Public Library and Cultural Site”.

Miscellaneous office equipment such as office tables, chairs, coffee tables, shelving units, cabinets and electronic devices such as computers, telephones, printers that had been out of use at the CBRT were distributed to educational institutions, which were in need of such items.



Part 3
Financial Statements

3.1. Balance Sheet as of 31 December 2015

ASSETS	Explanation No.	Turkish Lira	Foreign Currency	Total
1. Gold	3.4.2.1	-	51,191,475,986	51,191,475,986
1.1 International Standard (Net Gram) 515,519,993.79		-	51,191,475,986	51,191,475,986
2. Foreign Banknotes	3.4.2.2	-	4,183,398,575	4,183,398,575
3. Foreign Correspondents	3.4.2.3	-	265,541,843,462	265,541,843,462
3.1 FX Securities		-	241,664,149,226	241,664,149,226
3.2 Deposit		-	19,711,937,695	19,711,937,695
3.3 Other		-	4,165,756,541	4,165,756,541
4. Reserve Tranche Position	3.4.2.4	-	455,272,675	455,272,675
5. Securities Portfolio	3.4.2.5	8,957,517,340	-	8,957,517,340
5.1 Government Securities		8,677,646,830	-	8,677,646,830
5.2 Other		279,870,510	-	279,870,510
6. Lending Related to Monetary Policy Operations	3.4.2.6	95,475,069,203	-	95,475,069,203
6.1 Open Market Operations		89,537,797,590	-	89,537,797,590
6.2 Interbank Operations		5,937,271,613	-	5,937,271,613
7. Domestic Banks	3.4.2.7	-	-	-
8. Credits	3.4.2.8	-	22,746,402,971	22,746,402,971
8.1 Domestic Credits		-	22,719,308,685	22,719,308,685
8.1.1 Rediscount Credits		-	22,719,308,685	22,719,308,685
8.1.2 Other Credits		-	-	-
8.2 Foreign Credits		-	27,094,286	27,094,286
9. Share Participations	3.4.2.9	-	753,091,962	753,091,962
10. Treasury Liabilities Due to SDR Allocation	3.4.2.4	-	4,324,958,116	4,324,958,116
11. Fixed Assets (Net)	3.4.2.10	674,043,680	-	674,043,680
12. Claims under Legal Proceedings (Net)	3.4.2.8	-4,458,844,569	4,458,844,569	-
12.1 Claims under Legal Proceedings		-	4,458,844,569	4,458,844,569
12.2 Provisions for Claims under Legal Proceedings (-)		-4,458,844,569	-	-4,458,844,569
13. Deferred Tax Assets	3.4.2.14	7,572,341	-	7,572,341
14. Revaluation Account	3.4.2.17	-	-	-
15. Other Assets	3.4.2.11	2,536,056,994	5,204,936	2,541,261,930
15.1 Gold Non-International Standard (Net Gram) 3,177,797.62	3.4.2.1	315,557,403	-	315,557,403
15.2 Coins		105,358,642	-	105,358,642
15.3 Income Accruals		36,021,615	-	36,021,615
15.4 Other		2,079,119,334	5,204,936	2,084,324,270
TOTAL ASSETS		103,191,414,989	353,660,493,252	456,851,908,241

LIABILITIES	Explanation No.	Turkish Lira	Foreign Currency	Total
1. Currency Issued	3.4.2.12	103,042,636,169	-	103,042,636,169
2. Liabilities Related to Monetary Policy Operations	3.4.2.6	26,505,335	-	26,505,335
2.1 Open Market Operations		-	-	-
2.2 Interbank Operations		26,505,335	-	26,505,335
2.3 Liquidity Bills		-	-	-
3. Deposits	3.4.2.13	41,475,701,651	242,204,169,948	283,679,871,599
3.1 Public Sector		22,168,406,419	6,465,556,390	28,633,962,809
3.1.1 Treasury, General and Special Budget Administrations		22,167,230,663	6,458,732,110	28,625,962,773
3.1.2 Other		1,175,756	6,824,280	8,000,036
3.2 Banking Sector		18,799,107,319	230,664,263,024	249,463,370,343
3.2.1 Domestic Banks		18,788,229,834	22,955,501,608	41,743,731,442
3.2.2 Foreign Banks		10,639,374	-	10,639,374
3.2.3 Required Reserves in Blocked Accounts		-	207,708,761,416	207,708,761,416
3.2.3.1 Cash		-	168,046,465,972	168,046,465,972
3.2.3.2 Gold (Net Gram)	3.4.2.1	-	39,662,295,444	39,662,295,444
3.2.4 Other		238,111	-	238,111
3.3 Other Deposits		508,187,913	5,074,350,534	5,582,538,447
3.3.1 FX Deposits by Citizens Abroad		-	3,900,911,450	3,900,911,450
3.3.2 International Institutions		13,720,624	-	13,720,624
3.3.3 Extrabudgetary Funds		142,708,487	68,124,372	210,832,859
3.3.4 Other		351,758,802	1,105,314,712	1,457,073,514
4. Foreign Banks	3.4.2.3	-	1,088,105	1,088,105
5. Reserve Tranche Means	3.4.2.4	-	455,272,675	455,272,675
6. SDR Allocation	3.4.2.4	-	4,324,958,116	4,324,958,116
7. Tax Obligation	3.4.2.14	2,430,844,633	-	2,430,844,633
7.1 Taxes Payable		2,430,844,633	-	2,430,844,633
8. Provisions	3.4.2.15	415,247,226	-	415,247,226
9. Capital and Reserves	3.4.2.16	13,775,611,407	-	13,775,611,407
9.1 Paid-in Capital		25,000	-	25,000
9.2 Inflation Adjustments for Capital		46,208,524	-	46,208,524
9.3 Reserves		13,729,377,883	-	13,729,377,883
10. Revaluation Account	3.4.2.17	32,651,756,835	-	32,651,756,835
11. Profit of the Period	3.4.2.20	13,857,321,192	-	13,857,321,192
12. Other Liabilities	3.4.2.18	704,095,396	1,486,699,553	2,190,794,949
12.1 Treasury Gold (Net Gram)	3.4.2.1	34,315,794	-	34,315,794
12.2 Letters of Credit		-	1,093,229,408	1,093,229,408
12.3 Expense Accruals		3,224,183	-	3,224,183
12.4 Other		666,555,419	393,470,145	1,060,025,564
TOTAL LIABILITIES		208,379,719,844	248,472,188,397	456,851,908,241
REGULATING ACCOUNTS				945,492,131,807

3.2. Balance Sheets as of 31 December 2015 and 2014

ASSETS	Explanation No.	2015	2014
1. Gold	3.4.2.1	51,191,475,986	47,307,178,355
1.1 International Standard		51,191,475,986	47,307,178,355
2. Foreign Banknotes	3.4.2.2	4,183,398,575	2,091,971,871
3. Foreign Correspondents	3.4.2.3	265,541,843,462	245,424,134,556
3.1 FX Securities		241,664,149,226	228,715,091,024
3.2 Deposit		19,711,937,695	12,811,105,792
3.3 Other		4,165,756,541	3,897,937,740
4. Reserve Tranche Position	3.4.2.4	455,272,675	379,048,053
5. Securities Portfolio	3.4.2.5	8,957,517,340	9,217,473,960
5.1 Government Securities		8,677,646,830	9,166,544,460
5.2 Other		279,870,510	50,929,500
6. Lending Related to Monetary Policy Operations	3.4.2.6	95,475,069,203	46,454,161,112
6.1 Open Market Operations		89,537,797,590	46,254,098,612
6.2 Interbank Operations		5,937,271,613	200,062,500
7. Domestic Banks	3.4.2.7	-	-
8. Credits	3.4.2.8	22,746,402,971	19,351,600,020
8.1 Domestic Credits		22,719,308,685	19,328,800,400
8.1.1 Rediscount Credits		22,719,308,685	19,328,800,400
8.1.2 Other Credits		-	-
8.2 Foreign Credits		27,094,286	22,799,620
9. Share Participations	3.4.2.9	753,091,962	628,430,193
10. Treasury Liabilities Due to SDR Allocation	3.4.2.4	4,324,958,116	3,600,846,352
11. Fixed Assets (Net)	3.4.2.10	674,043,680	649,458,352
12. Claims under Legal Proceedings (Net)	3.4.2.8	-	-
12.1 Claims under Legal Proceedings		4,458,844,569	3,549,660,834
12.2 Provisions for Claims under Legal Proceedings (-)		-4,458,844,569	-3,549,660,834
13. Deferred Tax Assets	3.4.2.14	7,572,341	8,106,685
14. Revaluation Account	3.4.2.17	-	-
15. Other Assets	3.4.2.11	2,541,261,930	1,788,964,761
15.1 Gold Non-International Standard	3.4.2.1	315,557,403	284,124,524
15.2 Coins		105,358,642	67,256,921
15.3 Income Accruals		36,021,615	31,750,122
15.4 Other		2,084,324,270	1,405,833,195
TOTAL ASSETS		456,851,908,241	376,901,374,270

LIABILITIES	Explanation No.	2015	2014
1. Currency Issued	3.4.2.12	103,042,636,169	85,118,221,700
2. Liabilities Related to Monetary Policy Operations	3.4.2.6	26,505,335	32,306,729
2.1 Open Market Operations		-	-
2.2 Interbank Operations		26,505,335	32,306,729
2.3 Liquidity Bills		-	-
3. Deposits	3.4.2.13	283,679,871,599	241,493,452,078
3.1 Public Sector		28,633,962,809	22,973,520,974
3.1.1 Treasury, General and Special Budget Administrations		28,625,962,773	22,935,795,084
3.1.2 Other		8,000,036	37,725,890
3.2. Banking Sector		249,463,370,343	211,478,897,994
3.2.1 Domestic Banks		41,743,731,442	39,141,834,410
3.2.2 Foreign Banks		10,639,374	2,094,617
3.2.3 Required Reserves in Blocked Accounts		207,708,761,416	172,334,419,690
3.2.3.1 Cash		168,046,465,972	135,407,992,669
3.2.3.2 Gold	3.4.2.1	39,662,295,444	36,926,427,021
3.2.4 Other		238,111	549,277
3.3 Other Deposits		5,582,538,447	7,041,033,110
3.3.1 FX Deposits by Citizens Abroad		3,900,911,450	5,846,583,016
3.3.2 International Institutions		13,720,624	55,944,044
3.3.3 Extrabudgetary Funds		210,832,859	256,165,984
3.3.4 Other		1,457,073,514	882,340,066
4. Foreign Banks	3.4.2.3	1,088,105	867,641
5. Reserve Tranche Means	3.4.2.4	455,272,675	379,048,053
6. SDR Allocation	3.4.2.4	4,324,958,116	3,600,846,352
7. Tax Obligation	3.4.2.14	2,430,844,633	1,527,932,895
7.1 Taxes Payable		2,430,844,633	1,527,932,895
8. Provisions	3.4.2.15	415,247,226	385,247,276
9. Capital and Reserves	3.4.2.16	13,775,611,407	10,947,816,726
9.1 Paid-in Capital		25,000	25,000
9.2 Inflation Adjustments for Capital		46,208,524	46,208,524
9.3 Reserves		13,729,377,883	10,901,583,202
10. Revaluation Account	3.4.2.17	32,651,756,835	22,857,074,080
11. Profit of the Period	3.4.2.20	13,857,321,192	8,641,643,826
12. Other Liabilities	3.4.2.18	2,190,794,949	1,916,916,914
12.1 Treasury Gold	3.4.2.1	34,315,794	30,897,575
12.2 Letters of Credit		1,093,229,408	938,770,080
12.3 Expense Accruals		3,224,183	3,198,749
12.4 Other		1,060,025,564	944,050,509
TOTAL LIABILITIES		456,851,908,241	376,901,374,270
REGULATING ACCOUNTS		945,492,131,807	886,302,696,131

3.3. Profit and Loss Statements for 2015 and 2014

	Explanation No.	2015	2014
Interest Income	3.4.2.20	8,358,772,402	6,346,312,256
Interest Expense	3.4.2.20	-1,997,385,869	-1,009,528,914
Net Interest Income /Expense		6,361,386,533	5,336,783,342
Fee and Commission Income	3.4.2.20	477,292,315	404,815,947
Fee and Commission Expense	3.4.2.20	-14,534,728	-10,160,789
Net Fee and Commission Income /Expense		462,757,587	394,655,158
Non-Interest Income	3.4.2.20	12,734,764,147	7,427,995,804
Non-Interest Expense	3.4.2.20	-3,351,236,299	-3,056,115,939
Net Non-Interest Income/Expense		9,383,527,848	4,371,879,865
Net Profit /Loss Before Tax		16,207,671,969	10,103,318,365
Tax Provision	3.4.2.14	-2,350,350,777	-1,461,674,539
Net Profit/Loss		13,857,321,192	8,641,643,826

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 CBRT No. 1211 and prepares its statutory financial statements in accordance with the Turkish Commercial Code and the Law on the CBRT 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 CBRT 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.

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 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 the recognition date, and measured at fair value in the following periods. Fair value is calculated as the average of the gold prices 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 differences are recognized as unrealized gains and losses in the "Revaluation Account" as per Article 61 of the CBRT Law No. 1211.

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 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 gains and losses 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 that occur in BIST for transactions with the same value date. In absence of these prices, the prices of related securities published in the Official Gazette by the CBRT on a daily basis are used for fair value calculation. Foreign currency securities are valued at their fair value using the closing prices in 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 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 the fair value of the participation shares are monitored in "12. Other Liabilities". When participation shares are derecognized, the amount of gains or losses monitored in "12. Other Liabilities" is reflected on the profit and loss statement.

Dividends related to 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 on an 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" 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 expenses are accrued for the interest amounts of undue receivables and payables at month-ends and income and expense accruals are recognized for due receivables and payables 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, 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, furniture and fixtures and software products.

While the land in the CBRT's balance sheet is carried at acquisition cost, buildings, furniture and 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 using the prorated depreciation method.

3.4.1.5. Currency Issued

According to CBRT Law No. 1211, the CBRT has the exclusive privilege of issuing banknotes. The amount of banknotes issued is shown under "1. Currency Issued" item 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 the 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, 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 employee 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 employee termination benefits obligation are calculated according to the net present value of the 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 CBRT Law No. 1211, is a corporate taxpayer. The CBRT is responsible for withholding tax on wages, outsourcing payments, interest on deposits, etc. as per Article 94 of Income Tax Law No. 193, and 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 as per Article 30 of Corporate Income Tax Law No. 5520.

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

Revaluation gains from assets and liabilities that are subject to Article 61 of 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 the 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 an expense in the profit and loss statement.

b) Deferred Taxes

Deferred tax assets and liabilities arise from the tax effect of the temporary differences between the amounts of assets and liabilities in the financial statements and their book values. The deferred tax asset is reflected in the assets and the 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 it with other liabilities.

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

The CBRT’s financial statements for the current year and the previous year are presented together to allow comparison of the financial position. If necessary, the comparative information is reclassified and the significant differences are explained to be compatible with the presentation of the current financial statements.

3.4.1.10. Custody Operations

Custody 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 515,519,993.79 net grams of gold in international standards equivalent to TL 51,191,475,986 and 3,177,797.62 net grams of gold in non-international standards equivalent to TL 315,557,403. While some part of the gold in international standards belongs to the CBRT, the rest is placed in the CBRT by banks to satisfy their reserve requirements. Gold holdings in international standards are stored in the vaults of the CBRT or held with foreign correspondents.

Table 3. Gold

	2015		2014	
	Net Gram	TL	Net Gram	TL
International standards	515,519,994	51,191,475,986	529,108,282	47,307,178,355
Owned by the CBRT	116,103,765	11,529,180,541	116,103,765	10,380,751,334
At BOE	53,743,706	5,336,785,539	53,743,706	4,805,184,844
At FED	28,689,413	2,848,877,702	28,689,413	2,565,099,132
At the CBRT	33,670,645	3,343,517,301	33,670,645	3,010,467,357
Reserve requirements of the banks	397,644,082	39,486,320,109	413,004,517	36,926,427,021
At BOE	340,505,164	33,812,387,729	410,763,314	36,726,042,714
At BIST	57,138,919	5,673,932,380	2,241,203	200,384,307
Reserve requirements of the financing companies	1,772,147	175,975,335	-	-
At BOE	1,772,147	175,975,335	-	-
At BIST	-	-	-	-
Non-international standards	3,177,798	315,557,403	3,177,798	284,124,524
The CBRT	2,832,113	281,230,738	2,832,113	253,217,160
CBRT Collection	109	10,871	109	9,789
Treasury	345,575	34,315,794	345,575	30,897,575

Note: Gold holdings are valued based on 1 ounce of gold = 31.1035 grams using the price 1,062.25 USD/Ounce (2014: 1,199.25) and USD buying rate of 2.9076 as of 31 December 2015 (2014: 2.3189). Accordingly, the price of 1 net gram of gold is TL (1,062.25 x 2.9076) / 31.1035 = TL 99.30.

Gold holdings in international standards are held by the CBRT as part of foreign currency reserves and account for 15.93% (2014: 16.03%) of total foreign currency reserves. The gold deposited by banks for required reserves, which amounts to 399,416,229.12 net grams equivalent to TL 39,662,295,444 is also followed under this item.

Some part of gold holdings in non-international standards belong to the CBRT and the rest belong 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". A total of 345,574.68 net grams of gold that belong to the Treasury amounts to TL 34,315,794 and is reported in the 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 2015, the Turkish lira equivalent of foreign banknotes kept in the vaults of the branches of the CBRT is TL 4,183,398,575.

Table 4. Foreign Banknotes

	2015	2014
Foreign banknotes	4,183,398,575	2,091,971,871

3.4.2.3. Foreign Correspondents

“3. Foreign Correspondents”, which represents the main part of 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.

	2015		2014	
	TL	USD	TL	USD
FX Securities	241,664,149,226	83,114,647,553	228,715,091,024	98,630,855,588
Deposit	19,711,937,695	6,779,453,052	12,811,105,792	5,524,647,804
Other	4,165,756,541	1,432,713,076	3,897,937,740	1,680,942,576
Demand deposit	264,281,047	90,893,193	648,589,835	279,697,199
SDR holding account	3,900,212,068	1,341,385,358	3,247,339,571	1,400,379,305
Other	1,263,425	434,525	2,008,335	866,072
TOTAL	265,541,843,462	91,326,813,682	245,424,134,556	105,836,445,968

Balances of “4.Foreign Banks” in the liabilities of the balance sheet as of the end of 2015 and 2014 are presented below.

	2015		2014	
	TL	USD	TL	USD
Nostro accounts	1,088,105	374,228	867,641	374,160

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 IMF, that part of Turkey’s IMF quota paid as gold and foreign currency is represented 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 the amount SDR 112,775,000 was paid as gold. Turkey’s IMF quota is SDR 1,455.8 million.

	2015		2014	
	TL	SDR	TL	SDR
Assets				
Reserve tranche position	455,272,675	112,775,000	379,048,053	112,775,000
Treasury liabilities due to SDR allocation	4,324,958,116	1,071,329,729	3,600,846,352	1,071,329,729
Liabilities				
Reserve tranche means	455,272,675	112,775,000	379,048,053	112,775,000
SDR allocation	4,324,958,116	1,071,329,729	3,600,846,352	1,071,329,729

SDR 112,307,000, which was allocated to Turkey by the IMF and used by the Treasury, and the General and Special SDR Allocation in the amount of SDR 959,022,729 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

As of the end of 2015, the fair value of securities is TL 8,957,517,340.

Table 8. Securities	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Government bonds and treasury bills issued by the Undersecretariat of Treasury	8,818,537,542	8,677,646,830	8,986,647,437	9,166,544,460
Lease Certificates issued by Undersecretariat of Treasury Asset Leasing Company	277,611,140	279,870,510	48,065,000	50,929,500
TOTAL	9,096,148,682	8,957,517,340	9,034,712,437	9,217,473,960

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 95,475,069,203 as of the end of 2015. The income accruals reflected in this item are TL 64,797,798 for repurchase agreements (2014: TL 45,098,790); and TL 1,771,613 for Interbank Money Market operations (2014: TL 62,500).

“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 26,505,335. The expense accruals reflected in this item are TL 5,335 for Interbank Money Market operations (2014: TL 6,729).

Table 9. Lending/Liabilities Related to Monetary Policy Operations	2015	2014
Assets		
Lending Related to Monetary Policy Operations	95,475,069,203	46,454,161,112
Open market operations	89,537,797,590	46,254,098,612
Interbank money market operations	5,937,271,613	200,062,500
Liabilities		
Liabilities Related to Monetary Policy Operations	26,505,335	32,306,729
Open market operations	-	-
Interbank money market operations	26,505,335	32,306,729
Lending Related to Monetary Policy Operations (net)	95,448,563,868	46,421,854,383

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. This item has no balance as of the end of 2015.

3.4.2.8. Credits and Claims under Legal Proceedings

Domestic credits, which are extended to banks against rediscounted bills, consist of USD 5,301,646,555 (2014: USD 6,205,028,195), EUR 2,302,355,384 (2014: EUR 1,755,486,738) and GBP 3,504,733 (2014: GBP 1,969,219), equivalent to TL 22,746,104,797 (2014: TL 19,347,622,829). The year-end balance of domestic credits including accruals is TL 22,719,308,685 (2014: TL 19,328,800,400).

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 that were extended amount to USD 9,061,417 (2014: USD 9,061,417) equivalent to TL 26,346,975 (2014: TL 21,012,519). Credits extended due to the Banking Agreement between the CBRT and the Bank of Albania, which was terminated on 31 December 1990, are USD 256,359 (2014: USD 769,077) equivalent to TL 745,389 which amounts to TL 747,311 (2014: TL 1,787,101), including income accruals. The 2015 year-end balance of foreign credits is TL 27,094,286 including income accruals (2014: TL 22,799,620).

Table 10. Credits and Claims under Legal Proceedings	2015	2014
Domestic Credits	22,719,308,685	19,328,800,400
Foreign Credits	27,094,286	22,799,620
Claims under Legal Proceedings (Net)	-	-
Claims under Legal Proceedings	4,458,844,569	3,549,660,834
Provisions for Claims under Legal Proceedings (-)	-4,458,844,569	-3,549,660,834
TOTAL	22,746,402,971	19,351,600,020

The claims on the Central Bank of Iraq are USD 1,440,939,271 (2014: USD 1,438,177,534) equivalent to TL 4,189,675,024 (2014: TL 3,334,989,883) and its interest income accruals are USD 2,761,737 (2014: USD 2,088,881). The claims arising from the credit extended against bills for the Iraq Bekhme Dam Project are USD 92,574,475 (2014: USD 92,574,475) equivalent to TL 269,169,545 (2014: TL 214,670,951). Monthly interest is accrued on the credits extended to the Central Bank of Iraq. As per Article 323 of Tax Procedure Law No.213, a provision has been made for the principal payment and the interest accrued. As a provision of TL 4,458,844,569 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, SWIFT and IILM are classified as available-for-sale financial assets.

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 available-for-sale financial asset, is recognized at fair value calculated as 70% of the net asset value of the BIS.

Table 11. Share Participations

Nature of Business	2015			2014		
	Ownership (%)	TL	Foreign Currency	Ownership (%)	TL	Foreign Currency
BIS Banking supervision services	1.43	723,923,685	SDR 10,000,000	1.43	605,163,793	SDR 10,000,000
SWIFT Electronic fund transfer services	0.007	92,278	EUR 29,040	0.007	77,400	EUR 27,440
IILM Liquidity management	13.33	29,076,000	USD 10,000,000	13.33	23,189,000	USD 10,000,000
TOTAL		753,091,962			628,430,193	

The movement in share participations is as follows:

Table 12. Movement in Share Participations

	2015	2014
Balance on 1 January	628,430,193	587,726,743
Fair value changes	124,661,769	40,703,450
Balance on 31 December	753,091,962	628,430,193

3.4.2.10. Fixed Assets (Net)

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

Table 13. Movement in Fixed Assets

	Land and Building	Furniture and Fixtures	Software	Total
Net Book Value on 1 January	555,765,469	92,298,322	1,394,561	649,458,352
Additions	28,063,998	24,367,416	5,063,022	57,494,436
Disposals (Net)	-1,718,437	-28,762	-	-1,747,199
Depreciation charge	-4,962,694	-24,763,117	-1,436,098	-31,161,909
Net Book Value on 31 December	577,148,336	91,873,859	5,021,485	674,043,680

2015	Land and Building	Furniture and Fixtures	Software	Total
Book Value	729,296,814	221,942,529	23,133,730	974,373,073
Accumulated Depreciation	-152,148,478	-130,068,670	-18,112,245	-300,329,393
Net Book Value	577,148,336	91,873,859	5,021,485	674,043,680

2014	Land and Building	Furniture and Fixtures	Software	Total
Book Value	704,307,142	200,705,115	18,077,091	923,089,348
Accumulated Depreciation	-148,541,673	-108,406,793	-16,682,530	-273,630,996
Net Book Value	555,765,469	92,298,322	1,394,561	649,458,352

3.4.2.11. Other Assets

Table 14. Other Assets	2015	2014
Gold in non-international standard	315,557,403	284,124,524
Coins	105,358,642	67,256,921
Income accruals	36,021,615	31,750,122
Charges and commissions due from the Treasury	21,606,552	17,987,915
EFT fees	14,045,233	12,886,114
Other	369,830	876,093
Other	2,084,324,270	1,405,833,195
Prepaid taxes to be deducted from corporate tax	1,623,927,851	1,182,886,927
Income tax withholding to be deducted from corporate tax	285,085,235	127,108,486
Depots	61,412,649	54,370,251
Prepaid expenses	1,540,384	1,454,445
Other	112,358,150	40,013,085
TOTAL	2,541,261,930	1,788,964,761

3.4.2.12. Currency Issued

Table 15. Currency Issued	2015	2014
Balance on 1 January	85,118,221,700	74,814,589,728
Banknotes put into circulation	45,739,890,124	34,357,065,597
Banknotes withdrawn from circulation	-27,815,475,655	-24,053,433,625
Balance on 31 December	103,042,636,169	85,118,221,700

Banknotes in circulation amount to TL 103,042,636,169 as of 31 December 2015.

3.4.2.13. Deposits

Table 16. Deposits	2015	2014
Public sector deposits	28,633,962,809	22,973,520,974
Treasury, general and special budget administrations	28,625,962,773	22,935,795,084
Other	8,000,036	37,725,890
Banking sector deposits	249,463,370,343	211,478,897,994
Domestic banks	41,743,731,442	39,141,834,410
Deposits of banks	2,406,560,187	7,811,013
Free required reserves	39,337,171,255	39,134,023,397
Foreign banks	10,639,374	2,094,617
Required reserves in blocked accounts	207,708,761,416	172,334,419,690
Cash	168,046,465,972	135,407,992,669
Gold	39,662,295,444	36,926,427,021
Other	238,111	549,277
Other deposits	5,582,538,447	7,041,033,110
Deposits by citizens abroad	3,900,911,450	5,846,583,016
Deposits by international institutions	13,720,624	55,944,044
IMF	13,663,920	11,967,710
Other	56,704	43,976,334
Extrabudgetary funds	210,832,859	256,165,984
Other	1,457,073,514	882,340,066
Financing companies	1,446,839,412	870,293,841
Deposits by embassies	1,452,052	1,640,185
Other	8,782,050	10,406,039
TOTAL	283,679,871,599	241,493,452,078

3.4.2.14. Tax Liability

The CBRT is subject to corporate tax. 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.

Table 17. Taxes to be Paid	2015	2014
Corporate tax	2,350,350,777	1,461,674,539
Other taxes	80,493,856	66,258,356
Obligations as taxpayer	12,772,786	9,467,204
Obligations as withholding tax collector	67,721,070	56,791,152
TOTAL	2,430,844,633	1,527,932,895

The effective corporate tax rate in 2015 is 20% (2014: 20%). In Turkey, the advance tax is calculated and accrued on a quarterly basis. Advance corporate income tax rate applied in 2015 is 20% (2014: 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% (2014: 20%).

The breakdown of temporary differences and the resulting deferred income tax assets/liabilities as of the end of 2015 is as follows:

Table 18. Temporary Differences and Deferred Income Tax Assets/Liabilities	2015		2014	
	Total Temporary Differences	Deferred Tax Asset/Liability	Total Temporary Differences	Deferred Tax Asset/Liability
Total assets	208,750,128	41,750,026	183,421,624	36,684,325
Retirement pay and employment termination benefit obligations	172,190,889	34,438,178	142,190,939	28,438,188
Fixed assets depreciation adjustment	36,559,240	7,311,848	41,230,685	8,246,137
Total liabilities	-683,553,685	-34,177,684	-571,552,793	-28,577,640
Fair value adjustment of the BIS participation share	-683,553,685	-34,177,684	-571,552,793	-28,577,640
Net Asset/Liability	-474,803,556	7,572,341	-388,131,169	8,106,685

The movement of the deferred income tax asset is as follows:

Table 19. Deferred Tax Asset Movement	2015	2014
Balance on 1 January	8,106,685	7,523,890
Deferred tax related to profit and loss statement (Net)	5,065,940	2,490,016
Deferred tax related to other liability accounts	-5,600,283	-1,907,221
Balance on 31 December	7,572,341	8,106,685

3.4.2.15. Provisions

Table 20. Provisions	2015	2014
Retirement pay and employment termination benefit provisions	172,190,889	142,190,939
Other provisions		
Insurance provision for money in transit	243,056,337	243,056,337
TOTAL	415,247,226	385,247,276

The year-end balance of the insurance provision for valuables in transit, which is set pursuant to Article 59 of the CBRT Law No. 1211, is TL 243,056,337.

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 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 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 discount rate of 1.28% (2014: 1.28%), using the estimated annual inflation rate of 5.88% and interest rate of 7.23%.

As the ceiling amount of termination benefit is revised semi-annually, the maximum amount of TL 3,828 (2014: TL 3,438) effective from 1 September 2015 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:

Table 21. Movement in Retirement Pay and Employment Termination Benefit Obligations	2015	2014
Provision as of 1 January	142,190,939	128,169,528
Provision set aside	36,031,941	19,648,997
Retirement pay and employment termination benefits paid	-6,031,991	-5,627,586
Provision as of 31 December	172,190,889	142,190,939

3.4.2.16. Capital and Reserves

The CBRT's capital, of amount TL 25,000, is divided into 250,000 shares, each with a value of TL 0.10 and is registered.

Table 22. Capital and Reserves	2015	2014
Paid-in capital	25,000	25,000
Inflation adjustment for paid-in capital	46,208,524	46,208,524
Reserves	13,729,377,883	10,901,583,202
Ordinary reserves	8,949,272,959	6,929,419,508
Extraordinary reserves	4,766,079,094	3,958,137,863
Special reserves	14,025,831	14,025,831
TOTAL	13,775,611,407	10,947,816,726

The shareholders of the CBRT as of the end of 2015 and 2014 are listed below:

Table 23. The Shareholders	2015		2014	
	TL	Share(%)	TL	Share(%)
Undersecretariat of Treasury	13,780	55.12	13,780	55.12
T.C. Ziraat Bankası	4,806	19.22	4,806	19.22
Mervak İç ve Dış Ticaret	1,280	5.12	1,280	5.12
Türkiye Garanti Bankası	621	2.48	621	2.48
Türkiye İş Bankası	582	2.33	582	2.33
Türkiye Halk Bankası	277	1.11	277	1.11
Yapı ve Kredi Bankası	139	0.56	139	0.56
Akbank	8	0.03	8	0.03
Türkiye Ekonomi Bankası	2	0.01	2	0.01
ING Bank	5	0.02	5	0.02
Other	3,500	13.99	3,500	13.99
Paid-in Capital	25,000	100.00	25,000	100.00

3.4.2.17. Revaluation Account

Table 24. Revaluation	2015	2014
Revaluation account	32,651,756,835	22,857,074,080

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 asset 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 the international markets, has a balance of unrealized gain amounting to TL 32,651,756,835 at the year-end.

3.4.2.18. Other Liabilities

Table 25. Other Liabilities	2015	2014
Treasury gold	34,315,794	30,897,575
Letters of credit	1,093,229,408	938,770,080
Expense accruals	3,224,183	3,198,749
Other	1,060,025,564	944,050,509
Difference arising from accounting policy changes	651,874,806	545,469,426
Blocked accounts as per the decisions of tax offices and courts	25,956,919	22,870,591
Amounts to be debited to foreign correspondent accounts on next year's value date	341,028,826	338,320,417
Other	41,165,013	37,390,075
TOTAL	2,190,794,949	1,916,916,914

3.4.2.19. Regulating Accounts

Regulating accounts, which are expressed in terms of Turkish lira, foreign exchange and units, have a balance of 945,492,131,807 (2014: 886,302,696,131) as of the year-end. Nominal value of the securities received as collateral under repurchase agreements is TL 84,610,480,565 (2014: TL 41,307,108,941), and these securities are monitored in regulating accounts.

3.4.2.20. Profit/Loss Accounts

Table 26. Profit/Loss Statement	2015	2014
NET INTEREST INCOME/EXPENSE	6,361,386,533	5,336,783,342
Interest Income	8,358,772,402	6,346,312,256
TL and FX securities portfolio	2,238,650,148	2,313,891,627
Securities purchased under agreements to resell	5,841,937,647	3,918,262,243
Interbank money market operations	176,933,637	9,040,148
Credits	74,836,429	90,762,820
Banks	26,414,542	14,355,418
Interest Expense	-1,997,385,869	-1,009,528,914
FX deposits by citizens abroad	-13,651,824	-23,082,130
Securities sold under agreements to repurchase	-199	-4,802,315
Interbank money market operations	-1,807,577	-5,504,050
Treasury accounts	-1,402,704,612	-939,790,853
IMF general resource account (GRA) charges	-2,097,857	-3,045,558
TL required reserves	-341,861,797	-33,027,233
FX required reserves	-209,256,823	-
Banks	-26,005,180	-276,776
NET FEE AND COMMISSION INCOME/EXPENSE	462,757,587	394,655,158
Fee and commission income	477,292,315	404,815,947
EFT transaction fees and commissions	228,087,911	201,333,406
Commissions due from the Treasury	136,098,370	149,341,828
Commission and maintenance fees due from banks	104,203,591	46,644,330
Other fund transfer fees	2,240,996	1,922,913
Other	6,661,447	5,573,471
Fee and commission expense	-14,534,728	-10,160,789
Commission and maintenance fees due to banks	-14,341,505	-9,979,020
Other	-193,222	-181,769
NET NON-INTEREST INCOME/EXPENSE	9,383,527,848	4,371,879,865
Non-Interest Income	12,734,764,147	7,427,995,804
Profit on purchase and sale of FX	12,710,303,150	6,333,511,390
Securities portfolio trading income and fair value increase	8,928,134	1,082,158,536
Dividend income	6,355,953	5,361,045
Deferred tax income	5,065,940	2,490,016
Other	4,110,971	4,474,817
Non-Interest Expense	-3,351,236,299	-3,056,115,939
Loss on purchase and sale of FX	-237,909,101	-239,833,459
Securities portfolio trading loss and fair value decrease	-1,280,244,154	-1,677,478,331
Provision expense for claims under legal proceedings	-909,183,735	-287,035,119
Wages and salaries	-631,546,401	-598,858,993
Social security costs	-81,421,770	-63,310,278
Operating expenses	-84,894,150	-75,242,604
Banknote paper and ink expenses	-92,483,167	-81,147,604
Depreciation charges	-29,525,114	-29,831,203
Other	-4,028,705	-3,378,347
NET PROFIT/LOSS	16,207,671,969	10,103,318,365

3.4.2.21. Profit Distribution

Paragraph 5 of Article 64 of Turkish Commercial Law No. 6102 amended with 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 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 Law No. 6102 concerning book keeping, inventory, financial statement preparation, capitalization, provisions, accounts, valuation, maintenance and submission do not impede the implementation of Law No. 213 and the related provisions of other tax laws, nor do they impede the determination of the tax base in compliance with tax laws and the preparation of related financial statements.

The profit of the CBRT for the 2015 period is TL 16,197,939,356, 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 CBRT Law No. 1211 and the provisions of Article 64 of the Turkish Commercial Law No. 6102, amended with Law No. 6335, distribution of the profit is as follows:

Table 27. Profit Distribution (Article 60 of the Law No. 1211)	2015	2014
Reported profit (Turkish Commercial Law No, 6102)	16,207,671,969	10,103,318,365
Reporting adjustments	9,732,613	4,051,110
Profit to be distributed	16,197,939,356	10,099,267,255
Tax provisions	2,350,350,777	1,461,674,539
Corporate income tax	2,350,350,777	1,461,674,539
Profit after tax	13,847,588,579	8,637,592,716
Other distributions	4,544,576,059	2,836,154,763
1-Reserves	4,535,422,870	2,827,794,680
Ordinary reserves	3,239,587,871	2,019,853,450
Extraordinary reserves	1,295,834,999	807,941,230
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)	9,150,189	8,357,083
The amount to be transferred to the Treasury	9,303,012,520	5,801,437,953

3.5. Explanations on Expenses

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

Table 28. Distribution of Expenses (with 2003 prices)	2014 (TL)	2015 (TL)	% Change
I- Personnel Expenses	273,601,054	273,602,921	0
II-Other Expenses	31,089,416	32,578,295	5
III-Banknote Printing Expenses	33,529,297	35,490,595	6
TOTAL	338,219,767	341,671,811	1

In 2015, while personnel expenses remained unchanged, there was an increase in other expenses and banknote printing expenses compared to 2014.

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

The number of Bank personnel decreased by 0.2 percent from 4,770 in 2014 to 4,762 in 2015. Compared to 2014, real personnel expenses remained unchanged. In 2015, 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 5,401,550. This amount accounts for 1 percent of total salaries and fringe benefits paid to the Bank personnel in 2015.

- **Other expenses:** There was a 5 percent increase in 2015 compared to 2014. This resulted from the increase in maintenance and repair expenses, rents, communication expenses and social expenses.

- **Banknote printing expenses:** There was a 6 percent increase in 2015 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, while 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 activities of the CBRT, which operates as a joint stock company, are audited by both internal and external auditors in compliance with the regulations of the CBRT Law No 1211.

Audits Conducted by the Internal Organs of the Bank

In accordance with the Article No 15 of the CBRT 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 the income statements. In this way the General Assembly completes the monitoring of the activities of the Bank every year by discharging the Board of the Bank and the Auditing Committee.

On the other hand in accordance with the Article No 24 of the Bank Law, the Auditing Committee audits all the operations and accounts of the Bank and submits to the General Assembly a report to be drawn up on operations and accounts of the Bank at the end of the year. Under the authority of the Bank's Law, the Auditing Committee submits its written opinions to the Board and also to present a copy thereof to the Prime Ministry.

The authority of and responsibility for auditing the Bank's transactions are entrusted with the Audit Department according to the Articles No. 44 and 45 of the Main Regulation on Organization and Duties of the CBRT.

The Audit Department has the duty and authority to conduct audits, examinations and researches and also to carry out investigations and consulting services when needed in the departments, 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 Law No. 1211 as well as other legislations.

According to the Article No. 6 of the "Audit Regulation of the CBRT", audits are carried out by 4 types of activities. Those are named as internal audit, investigation, examination and consultancy and external audit activities.

According to the Article No. 37 of the "Audit Regulation of the CBRT"; one or several of the operational, financial, compliance and information systems audits are conducted together in all departments, branches and representative offices of the CBRT.

Within the scope of the external audit function, banks operating in Turkey are audited to ensure that calculation of the liabilities subject to reserve requirements, reporting of the maximum and the weighted average interest rates/profit-loss participation rates, compliance of the deposits with the maturity and types of deposits regulation, the legal compliance of variable interest rate housing loan contracts, the incompliance with the credit card regulations and the controls regarding to reporting of credit cards, the closure of export rediscount credit accounts, the consistency of Trial Balance accounts with credit card and overdraft accounts, announced interest rates, actual maximum interest rates, KT (the weighted average interest rates and amounts for credits in TL) and MT (the weighted average interest rates and amounts for credits in TL) forms, and IBAN applications comply with the relevant regulations. In 2015, Audit Department conducted external audits in 22 banks and 4 financing institutions.

The Audit Department is composed of 18 chief inspectors, 5 chief auditors, 19 inspectors, 1 auditor, 3 information technology auditors, 15 authorized assistant auditors, 2 authorized information technology assistant auditors, 3 assistant auditors and 2 information technology assistant auditors. Among those, one chief inspector and one IT auditor are assigned to assist the Executive Director in the conduct of his duties.

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 receive the opinions of the Board, the Auditing Committee and the Executive Committee was held in June and December of this year.

Audits Conducted by External Parties

Article 42 of the CBRT Law constitutes the legal basis of external auditing of the Bank. Accordingly, the Prime Minister may have the operations and accounts of the Bank audited.

In accordance with the Article No. 42 of the CBRT 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 the income statements of the Bank. An independent external review of the Bank's accounts has been deemed as 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 CBRT's website.

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

3.6.2. The Report of the Auditing Committee

CENTRAL BANK OF THE REPUBLIC OF TURKEY
JOINT STOCK COMPANY
AUDITING COMMITTEE

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

The Auditing Committee has audited the activities and resulting statements of the 2015 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. Dissents expressed by the Members of the Board and submitted to the Auditing Committee during the accounting period have been deliberated and no action was deemed necessary. The inventory related to the dissents and abstaining votes casted by members were included in the Auditing Committee file.
3. 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,
4. The Balance Sheet dated 31 December 2015 and the Income Statement for the period between 01/01/2015 and 31/12/2015 are in compliance with the Turkish Commercial Code and the Central Bank Law,
5. The financial statements compiled to present the financial position of the Central Bank of the Republic of Turkey by 31 December 2015, 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,
6. The trial for the legal liability lawsuit filed by the Bank continues.

In conclusion, we hereby submit the Balance Sheet and the Income Statement dated 31 December 2015 for approval of the General Assembly.

Ankara, 10/03/2016

Ahmet Fethi TOPTAŞ
Auditing Committee Member

Mehmet Ziya GÖKALP
Auditing Committee Member

ÖMER DUMAN
Auditing Committee Member

Mehmet BABACAN
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 2015 and statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

The Bank Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Central Bank of the Republic of Turkey and related legislation (Note I.A.(2)).

Additional Paragraph for English Translation

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

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

Müjde Şehsuvaroğlu
Partner
İstanbul, 19 February 2016

(*) The full report takes place on the Bank's web site (www.tcmb.gov.tr), under About the Bank/ Financial Statements and Reports/ Independent Audit Reports

3.6.4. Independent Audit Report Drawn up in Compliance with IFRS*

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 2015, and the statement of profit or loss and other comprehensive income, 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 information.

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 at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

As stated in Note 2.d, US\$ amounts shown in the balance sheets are translated from TL for convenience purposes only, at the official bid rates announced by the Bank and therefore, do not form part of these financial statements.

İstanbul, 24 February 2016

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), under About the Bank/ Financial Statements and Reports/ Independent Audit Reports

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