

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 the 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 Borsa Istanbul (BIST). Gold in foreign banks is held as free deposits as part of reserve management. Gold deposited by banks for reserve requirements is also held at foreign banks and BIST.

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

3.4.1.2 Financial Assets and Liabilities

a) Financial Assets at Fair Value Through Profit or Loss

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

Pursuant to Article 52 of the CBRT Law No. 1211, regarding open market operations, securities purchased by the CBRT on its own account in order to regulate money supply and the liquidity in the economy, and foreign securities are classified in this group. After initial recognition, held-for-trading financial assets are revalued at their fair values at month ends, and 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 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 daily in the Official Gazette. 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 expense 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, the Undersecretariat of the 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 No. 333, 339, 365 and 389 using the prorated depreciation method.

3.4.1.5. Currency Issued

According to the CBRT Law No. 1211, the CBRT has the exclusive privilege of issuing banknotes. The amount of banknotes issued is shown under "1. Currency Issued" 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 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 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 obligation that are expected to arise due to retirement of employees and reflected in financial statements.

3.4.1.8. Taxes

a) Current Taxes

The CBRT, established as a "joint stock company", as per Article 1 of the CBRT Law No. 1211, is a corporate taxpayer. The CBRT is responsible for withholding tax on wages, outsourcing payments, interest on deposits, etc. as per Article 94 of the 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 the Corporate Income Tax Law No. 5520.

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

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

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

b) Deferred Taxes

Deferred tax assets and liabilities arise from 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.

The 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 assessment of the financial position. If necessary, the comparative information is reclassified and the significant differences are explained to be compatible with 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 529,108,281.88 net grams of gold in international standards equivalent to TL 47,307,178,355 and 3,177,797.62 net grams of gold in non-international standards equivalent to TL 284,124,524. While some part of the gold in international standards belongs to the CBRT, rest is placed at 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

	2014		2013	
	Net Gram	TL	Net Gram	TL
International standards	529,108,282	47,307,178,355	519,737,015	42,850,276,179
Owned by the CBRT	116,103,765	10,380,751,334	116,103,765	9,572,299,526
At BOE	53,743,706	4,805,184,844	53,743,706	4,430,957,561
At FED	28,689,413	2,565,099,132	28,689,413	2,365,329,485
At the CBRT	33,670,645	3,010,467,357	33,670,645	2,776,012,481
Reserve requirements of the banks	413,004,517	36,926,427,021	403,633,250	33,277,976,653
At BOE	410,763,314	36,726,042,714	402,113,380	33,152,669,312
At BIST	2,241,203	200,384,307	1,519,870	125,307,341
Non-international standards	3,177,798	284,124,524	3,177,798	261,996,936
The CBRT	2,832,113	253,217,160	2,832,113	233,496,635
CBRT Collection	109	9,789	109	9,026
Treasury	345,575	30,897,575	345,575	28,491,276

Note: Gold holdings are valued based on 1 ounce of gold = 31.1035 grams using the price 1,199.25 USD/Ounce (2013: 1,201.50) and USD buying rate of 2.3189 as of 31 December 2014 (2013:2.1343). Accordingly, the price of 1 net gram of gold is TL $(1,199.25 \times 2.3189) / 31.1035 = \text{TL } 89.41$.

Gold holdings in international standards are held by the CBRT as part of foreign currency reserves and account for 16.03% (2013: 15.33%) of total foreign currency reserves. The gold deposited by banks for required reserves, which amounts to 413,004,517.21 net grams equivalent to TL 36,926,047,021 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 belongs to the Treasury amounts to TL 30,897,575 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 2014, the Turkish lira equivalent of foreign banknotes kept in the vaults of the branches of the CBRT is TL 2,091,971,871.

Table 4: Foreign Banknotes

	2014	2013
Foreign banknotes	2,091,971,871	3,754,572,450

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.

	2014		2013	
	TL	USD	TL	USD
FX Securities	228,715,091,024	98,630,855,588	211,123,802,766	98,919,459,666
Deposit	12,811,105,792	5,524,647,804	17,107,759,058	8,015,629,976
Other	3,897,937,740	1,680,942,576	4,395,462,210	2,059,439,727
Demand deposit	648,589,835	279,697,199	1,179,080,689	552,443,747
SDR holding account	3,247,339,571	1,400,379,305	3,213,476,129	1,505,634,695
Other	2,008,335	866,072	2,905,392	1,361,286
TOTAL	245,424,134,556	105,836,445,968	232,627,024,034	108,994,529,370

Balances of "4.Foreign Banks" in the liabilities of the balance sheet as of the end of 2014 and 2013 are presented below.

	2014		2013	
	TL	USD	TL	USD
Nostro accounts	867,641	374,160	798,556	374,154

3.4.2.4. Balances Arising from Membership in the IMF

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.

	2014		2013	
	TL	SDR	TL	SDR
Assets				
Reserve tranche position	379,048,053	112,775,000	370,973,363	112,775,000
Treasury liabilities due to SDR allocation	3,600,846,352	1,071,329,729	3,524,139,144	1,071,329,729
Liabilities				
Reserve tranche means	379,048,053	112,775,000	370,973,363	112,775,000
SDR allocation	3,600,846,352	1,071,329,729	3,524,139,144	1,071,329,729

SDR 112,307,000, which was allocated to Turkey by the IMF and used by the Treasury; and General and Special SDR Allocation in the amount of SDR 959,022,729 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 2014, the fair value of securities is TL 9,217,473,960.

Table 8: Securities	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Government bonds and treasury bills issued by the Undersecretariat of the Treasury	8,986,647,437	9,166,544,460	9,158,266,857	8,931,100,770
Lease Certificates issued by the Undersecretariat of the Treasury Asset Leasing Company	48,065,000	50,929,500	-	-
TOTAL	9,034,712,437	9,217,473,960	9,158,266,857	8,931,100,770

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 46,454,161,112 as of the end of 2014. The income accruals reflected in this item are TL 45,098,790 for repurchase agreements (2013: TL 10,542,956); and TL 62,500 for Interbank Money Market operations (2013: TL 16,038).

"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 32,306,729. The expense accruals reflected in this item are TL 6,729 for Interbank Money Market operations (2013: TL 20,271).

Table 9: Lending/Liabilities Related to Monetary Policy Operations	2014	2013
Assets		
Lending Related to Monetary Policy Operations	46,454,161,112	39,081,965,985
Open market operations	46,254,098,612	39,007,449,947
Interbank money market operations	200,062,500	74,516,038
Liabilities		
Liabilities Related to Monetary Policy Operations	32,306,729	208,520,271
Open market operations	-	-
Interbank money market operations	32,306,729	208,520,271
Lending Related to Monetary Policy Operations (net)	46,421,854,383	38,873,445,714

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 2014.

3.4.2.8. Credits and Claims under Legal Proceedings

Domestic credits, which are extended to banks against rediscounted bills, consist of USD 6,205,028,195 (2013: USD 4,631,848,057), EUR 1,755,486,738 (2013: EUR 1,171,416,435) and GBP 1,969,219 (2013: GBP 2,155,946), equivalent to TL 19,347,622,829 (2013: TL 13,333,188,058). The year-end balance of domestic credits including accruals is TL 19,328,800,400 (2013: TL 13,307,133,918).

Foreign credits consist of credits extended to the Central Bank of Sudan and the Bank of Albania. In accordance with the Banking Agreement between the CBRT and the Central Bank of Sudan, foreign credits that were extended amount to USD 9,061,417 (2013: USD 9,061,417) equivalent to TL 21,012,519 (2013: TL 19,339,782). Credits extended due to Banking Agreement between the CBRT and the Bank of Albania, which was terminated on 31 December 1990, are USD 769,077 (2013: USD 1,281,795) equivalent to TL 1,783,413 which amounts to TL 1,787,101 (2013: TL 2,741,392), including income accruals. The 2014 year-end balance of foreign credits is TL 22,799,620 including income accruals (2013: TL 22,081,174).

	2014	2013
Domestic Credits	19,328,800,400	13,307,133,918
Foreign Credits	22,799,620	22,081,174
Claims under Legal Proceedings (Net)	-	-
Claims under Legal Proceedings	3,549,660,834	3,262,625,715
Provisions for Claims under Legal Proceedings (-)	-3,549,660,834	-3,262,625,715
TOTAL	19,351,600,020	13,329,215,092

The claims on the Central Bank of Iraq are USD 1,438,177,534 (2013: USD 1,436,088,653) equivalent to TL 3,334,989,883 (2013: TL 3,065,044,012) and its interest income accruals are USD 2,088,881 (2013: USD 2,555,773). The claims arising from the credit extended against bills for the Iraq Bekhme Dam Project are USD 92,574,475 (2013: USD 92,574,475) equivalent to TL 214,670,951 (2013: TL 197,581,703). Monthly interest is accrued on the credits extended to the Central Bank of Iraq. As per Article 323 of the Tax Procedure Law No.213, a provision has been made for the principal payment and the interest accrued. As a provision of TL 3,549,660,834 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.

	Nature of Business	2014			2013		
		Ownership (%)	TL	Foreign Currency	Ownership (%)	TL	Foreign Currency
BIS	Banking supervision services	1,43	605,163,793	SDR 10,000,000	1,43	566,317,025	SDR 10,000,000
SWIFT	Electronic fund transfer services	0,007	77,400	EUR 27,440	0,007	66,717	EUR 22,720
IILM	Liquidity management	13,33	23,189,000	USD 10,000,000	13,33	21,343,000	USD 10,000,000
	TOTAL		628,430,193			587,726,743	

The movement in share participations is as follows:

Table 12: Movement in Share Participations	2014	2013
Opening balance	587,726,743	539,849,799
Fair value changes	40,703,450	47,876,944
Closing Balance	628,430,193	587,726,743

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
2014 Opening Net Book Value	559,909,494	78,385,444	2,737,286	641,032,223
Additions	2,601,001	36,828,947	128,266	39,558,214
Disposals (Net)	-526,651	-13,804	-	-540,455
Depreciation charge	-6,218,375	-22,902,265	-1,470,991	-30,591,631
2014 Closing Net Book Value	555,765,469	92,298,322	1,394,561	649,458,352

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

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

3.4.2.11 Other Assets

Table 14: Other Assets	2014	2013
Gold in non-international standard	284,124,524	261,996,936
Coins	67,256,921	68,020,952
Income accruals	31,750,122	29,054,803
Charges and commissions due from the Treasury	17,987,915	17,150,100
EFT fees	12,886,114	10,795,947
Other	876,093	1,108,757
Other	1,405,833,195	734,669,391
Prepaid taxes to be deducted from corporate tax	1,309,995,414	643,420,572
Depots	54,370,251	46,910,766
Prepaid expenses	1,454,445	961,473
Other	40,013,085	43,376,580
TOTAL	1,788,964,761	1,093,742,082

3.4.2.12. Currency Issued

Table 15: Currency Issued	2014	2013
Balance on 1 January	74,814,589,728	60,525,482,148
Banknotes put into circulation	34,357,065,597	41,353,594,407
Banknotes withdrawn from circulation and destroyed	-24,053,433,625	-27,064,486,827
Balance on 31 December	85,118,221,700	74,814,589,728

Banknotes in circulation, issued pursuant to the CBRT Law No. 1211 amount to TL 85,118,221,700 as of 31 December 2014.

3.4.2.13. Deposits

Table 16: Deposits	2014	2013
Public sector deposits	22,973,520,974	27,488,714,052
Treasury, general and special budget administrations	22,935,795,084	27,365,176,586
Other	37,725,890	123,537,465
Banking sector deposits	211,478,897,994	188,585,936,880
Domestic banks	39,141,834,410	32,204,712,843
Deposits of banks	7,811,013	17,460,789
Free required reserves	39,134,023,397	32,187,252,054
Foreign banks	2,094,617	5,734,055
Required reserves in blocked accounts	172,334,419,690	156,375,051,205
Cash	135,407,992,669	123,097,074,552
Gold	36,926,427,021	33,277,976,653
Other	549,277	438,776
Other deposits	7,041,033,110	12,250,828,109
Deposits by citizens abroad	5,846,583,016	11,320,996,460
Deposits by international institutions	55,944,044	9,939,108
IMF	11,967,710	9,879,578
Other	43,976,334	59,529
Extrabudgetary funds	256,165,984	776,292,991
Other	882,340,066	143,599,551
Financing companies	870,293,841	135,386,157
Deposits by embassies	1,640,185	1,392,160
Other	10,406,039	6,821,234
TOTAL	241,493,452,078	228,325,479,041

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	2014	2013
Corporate tax	1,461,674,539	889,835,346
Other taxes	66,258,356	49,804,033
Obligations as taxpayer	9,467,204	7,557,173
Obligations as withholding tax collector	56,791,152	42,246,860
TOTAL	1,527,932,895	939,639,379

The effective corporate tax rate in 2014 is 20% (2013: 20%). In Turkey, advance tax is calculated and accrued on a quarterly basis. Advance corporate income tax rate applied in 2014 is 20% (2013: 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% (2013: 20%).

The breakdown of temporary differences and the resulting deferred income tax assets/liabilities as of the end of 2014 is as follows:

Table 18: Temporary Differences and Deferred Income Tax Assets/Liabilities	2014		2013	
	Temporary Differences	Deferred Tax Asset/Liability	Temporary Differences	Deferred Tax Asset/Liability
Total assets	183,421,624	36,684,325	170,974,956	34,194,991
Retirement pay and employment termination benefit obligations	142,190,939	28,438,188	128,169,528	25,633,906
Fixed assets depreciation adjustment	41,230,685	8,246,137	42,805,428	8,561,086
Total liabilities	-571,552,793	-28,577,640	-533,422,025	-26,671,101
Fair value adjustment of the BIS participation share	-571,552,793	-28,577,640	-533,422,025	-26,671,101
Net Asset/Liability	-388,131,169	8,106,685	-362,447,069	7,523,890

The movement of deferred income tax asset on 31 December 2014 is as follows:

Table 19: Deferred Tax Asset Movement	2014	2013
Balance on 1 January	7,523,890	8,527,617
Deferred tax related to profit and loss statement (Net)	2,490,016	1,568,100
Deferred tax related to other liability accounts	-1,907,221	-2,571,827
Balance on 31 December 2014	8,106,685	7,523,890

3.4.2.15. Provisions

Table 20: Provisions	2014	2013
Retirement pay and employment termination benefit provisions	142,190,939	128,169,528
Other provisions		
Insurance provision for money in transit	243,056,337	243,056,337
TOTAL	385,247,276	371,225,865

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 job 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%, 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 3,438 (2013: TL 3,254) effective from 1 January 2014 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	2014	2013
Provision as of 1 January	128,169,528	119,290,194
Provision set aside	19,648,997	14,933,596
Actuarial loss/gain	-	-3,112,365
Retirement pay and employment termination benefits paid	-5,627,586	-2,941,896
Provision as of 31 December	142,190,939	128,169,528

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	2014	2013
Paid-in capital	25,000	25,000
Inflation adjustment for paid-in capital	46,208,524	46,208,524
Reserves	10,901,583,202	9,245,105,407
Ordinary reserves	6,929,419,508	5,746,220,976
Extraordinary reserves	3,958,137,863	3,484,858,601
Special reserves	14,025,831	14,025,831
TOTAL	10,947,816,726	9,291,338,931

The shareholders of the CBRT as of the end of 2014 and 2013 are listed below:

Table 23: The Shareholders	2014		2013	
	Share (TL)	Share(%)	Share (TL)	Share(%)
Undersecretariat of the Treasury	13,780	55.12	13,780	55.12
T.C. Ziraat Bankası	4,806	19.22	4,806	19.22
TCMB Mensupları Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı	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

	2014	2013
Revaluation account	22,857,074,080	22,164,507,125

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 22,857,074,080 at the year-end.

3.4.2.18. Other Liabilities

Table 25: Other Liabilities

	2014	2013
Treasury Gold	30,897,575	28,491,276
Letters of Credit	938,770,080	931,012,876
Expense accruals	3,198,749	3,587,825
Other	944,050,509	796,217,549
Difference arising from accounting policy changes	545,469,426	509,232,229
Blocked accounts as per the decisions of tax offices and courts	22,870,591	19,287,595
Amounts to be debited to foreign correspondent accounts on next year's value date	338,320,417	236,289,898
Other	37,390,075	31,407,827
TOTAL	1,916,916,914	1,759,309,526

3.4.2.19 Regulating Accounts

Regulating accounts, which are expressed in terms of Turkish lira, foreign exchange and units, have a balance of 886,302,696,131 (2013: 841,907,412,091) as of the year-end. Nominal value of the securities received as collateral under repurchase agreements is TL 41,307,108,941 (2013: TL 38,833,545,087), and these securities are monitored in regulating accounts.

3.4.2.20. Profit/Loss Accounts

Table 26: Profit/Loss Statement	2014	2013
NET INTEREST INCOME/EXPENSE	5,336,783,342	3,802,208,970
Interest Income	6,346,312,256	4,389,412,092
TL and FX securities portfolio	2,313,891,627	2,531,419,479
Securities purchased under agreements to resell	3,918,262,243	1,796,490,862
Interbank money market operations	9,040,148	10,809,851
Credits	90,762,820	35,343,293
Banks	14,355,418	15,348,606
Interest Expense	-1,009,528,914	-587,203,122
FX deposits by citizens abroad	-23,082,130	-125,990,736
Securities sold under agreements to repurchase	-4,802,315	-8,856,685
Interbank money market operations	-5,504,050	-16,107,353
Treasury accounts	-939,790,853	-433,697,410
IMF general resource account (GRA) charges	-3,045,558	-2,529,648
Turkish lira required reserves	-33,027,233	-
Banks	-276,776	-21,291
NET FEE AND COMMISSION INCOME/EXPENSE	394,655,158	337,170,813
Fee and commission income	404,815,947	353,397,586
EFT transaction fees and commissions	201,333,406	173,351,341
Commissions due from the Treasury	149,341,828	133,277,544
Commission and maintenance fees due from banks	46,644,330	38,366,032
Other fund transfer fees	1,922,913	2,169,288
Other	5,573,471	6,233,380
Fee and commission expense	-10,160,789	-16,226,772
Commission and maintenance fees due to banks	-9,979,020	-16,056,318
Other	-181,769	-170,454
NET NON-INTEREST INCOME/EXPENSE	4,371,879,865	1,779,226,590
Non-Interest Income	7,427,995,804	5,520,358,878
Profit on purchase and sale of FX	6,333,511,390	5,454,556,239
Securities portfolio trading income and fair value increase	1,082,158,536	51,623,250
Dividend income	5,361,045	6,903,206
Deferred tax income	2,490,016	1,568,100
Other	4,474,817	5,708,083
Non-Interest Expense	-3,056,115,939	-3,741,132,288
Loss on purchase and sale of FX	-239,833,459	-20,234,464
Securities portfolio trading loss and fair value decrease	-1,677,478,331	-2,245,959,816
Provision expense for claims under legal proceedings	-287,035,119	-542,186,743
Insurance provision for valuables in transit	-	-165,700,000
Wages and salaries	-598,858,993	-564,945,253
Social security costs	-63,310,278	-45,637,590
Operating expenses	-75,242,604	-67,723,550
Banknote paper and ink expenses	-81,147,604	-62,568,648
Depreciation charges	-29,831,203	-24,406,445
Other	-3,378,347	-1,769,779
NET PROFIT/LOSS	10,103,318,365	5,918,606,373

3.4.2.21. Profit Distribution

Paragraph 5 of Article 64 of the Turkish Commercial Law No. 6102 amended with the Law No. 6335 stipulates that natural and legal persons, who are subject to the Turkish Commercial Law, are also obliged to conform to the regulations made based on the provisions of the Tax Procedure Law No. 213 concerning book keeping and recording as well as on the power entrusted with Article 175 and the repeating Article 257 of the same law. According to the aforementioned paragraph, provisions of 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 tax base in compliance with tax laws and the preparation of related financial statements.

The profit of the CBRT for the 2014 period is TL 10,099,267,255, which has been stated in its accounting books kept according to the provisions of the Tax Procedure Law No. 213. Taking into account Articles 56 and 60 of the CBRT Law No. 1211 and the provisions of Article 64 of the Turkish Commercial Law No. 6102 amended with Law No. 6335, distribution of the profit is as follows:

Table 27: Profit Distribution (Article 60 of Law No. 1211)	2014	2013
Reported profit (Turkish Commercial Law No. 6102)	10,103,318,365	5,918,606,373
Reporting adjustments	4,051,110	2,613,714
Profit to be distributed	10,099,267,255	5,915,992,659
Tax provisions	1,461,674,539	889,835,346
Corporate income tax	1,461,674,539	889,835,346
Profit after tax	8,637,592,716	5,026,157,313
Other distributions	2,836,154,763	1,663,918,042
1-Reserves	2,827,794,680	1,656,477,795
Ordinary reserves	2,019,853,450	1,183,198,532
Extraordinary reserves	807,941,230	473,279,263
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)	8,357,083	7,437,247
The amount to be transferred to the Treasury	5,801,437,953	3,362,239,272