

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